

DOCKET SECTION

OCA-T-500

Docket No. R97-1

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OFFICE OF THE CONSUMER ADVOCATE

DIRECT TESTIMONY

OF

JAMES F. CALLOW

ON BEHALF OF

THE OFFICE OF THE CONSUMER ADVOCATE

DECEMBER 30, 1997

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DIRECT TESTIMONY OF
JAMES F. CALLOW

STATEMENT OF QUALIFICATIONS

My name is James F. Callow. I am a Postal Rate and Classification Specialist. I have been employed by the Postal Rate Commission since June 1993, and since February 1995 in the Office of the Consumer Advocate (OCA).

I previously testified before this Commission in Docket Nos. MC96-3 and MC95-1. My testimony in Docket No. MC96-3 opposed the Postal Service's non-resident surcharge on post office boxholders, and proposed alternative box fees designed to equalize inter-group cost coverages and reduce the disparity in cost coverages by box size. In Docket No. MC95-1, my testimony summarized the comments of persons expressing views to the Commission and the Office of the Consumer Advocate on postal rates and services.

As Special Assistant to former Commissioner Quick, I participated in Docket Nos. MC93-1, MC93-2 and R94-1. In the latter docket, I was assigned responsibility for substantive subject areas considered by the Commission in its Opinion and Recommended Decision. Specifically, I analyzed quantitative testimony of the Postal Service with respect to the estimation of workers' compensation costs and evaluated rate design proposals of the Postal Service and other parties related to special postal services.

1 Prior to joining the Commission, I held positions on the legislative staff of a
2 US Senator and a Member of Congress from Michigan, and served as an aide to the
3 Governor of the State of Michigan in Washington.

4 I am an accountant by training. In 1985, I earned an MS degree in
5 accounting from Georgetown University. My course work included cost accounting
6 and auditing. In 1977, I obtained my BA degree from the University of Michigan-
7 Dearborn with a double major in political science and history and a minor in
8 economics.

1 I. PURPOSE AND SCOPE OF TESTIMONY

2 This testimony addresses the post office box fee proposals of the Postal
3 Service.¹ I propose a classification change that would restructure current Fee
4 Groups C and D into six new fee groups based upon the Cost Ascertainment Group
5 (CAG) of post offices. Three new fee groups, C-I, C-II and C-III, would be formed
6 from CAG A-D, E-G and H-L offices, respectively, in Fee Group C. Three new fee
7 groups, D-I, D-II and D-III, would also be formed from the same CAG level offices in
8 Fee Group D. The new fee groups and proposed fees represent a proposed
9 transition to a further restructuring that would ultimately merge these parallel fee
10 groups into three fee groups.

11 The fees I propose are based on a new cost allocation methodology. The
12 Postal Service's current allocation methodology results in higher volume-variable
13 unit box costs in smaller offices and lower unit costs in larger offices than if costs
14 were allocated according to office location and size, as measured by CAG.
15 Consequently, I propose a new cost allocation methodology that distributes a
16 portion of volume-variable post office box costs by CAG. My proposed post office

¹ My testimony consists of this document, OCA-T-500, and workpapers which contain spreadsheets showing the development of my post office box fee proposal, filed as library reference OCA-LR-10. In addition, I sponsor the library reference OCA-LR-2.

- 1 box fees are virtually the same as or lower than those proposed by the Postal
- 2 Service in the new fee groups consisting of CAG E-G and H-L offices, where
- 3 allocated costs are lower under the new methodology, while box fees are higher in
- 4 fee groups consisting of CAG A-D offices, where allocated costs are higher.

1 II. CURRENT POST OFFICE BOX FEES AND FEE GROUPS DO NOT
2 ADEQUATELY REFLECT THE HIGHER COSTS OF PROVIDING BOX
3 SERVICE IN LARGER CAG POST OFFICES, NOR THE LOWER COSTS
4 OF SERVICE IN SMALLER OFFICES
5

6 The Postal Service proposes to increase fees for all post office boxes in Fee
7 Groups A-D.² The testimony of witness Needham (USPS-T-39) describes post
8 office box service and presents justifications for the Postal Service's proposed fee
9 increases.

10 The current post office box fee groups, designated A-E, were established in
11 Docket No. MC96-3 at the behest of the Postal Service.³ The testimony of witness
12 Lion (USPS-T-24) describes the current fee groups and develops estimates of the
13 number of boxes in use for each group. According to witness Lion, the five post
14 office box fee groups "are now defined principally in terms of the fees paid."
15 USPS-T-24 at 2. Fee groups generally "depend upon specified ZIP Codes,
16 customer characteristics, and type of carrier delivery service." Tr. 3/1064
17 (OCA/USPS-T24-2).

² USPS-T-39, Table 11, at 59. Fee Group E boxholders, those ineligible for any type of carrier delivery service, "pay" a fee of \$0, and no fee increase is proposed by the Postal Service for these boxholders.

³ See PRC Op. MC96-3 at 47-48.

1 The testimony of witness Lion also presents the Postal Service's
2 methodology for allocating volume-variable post office box costs to develop test year
3 before rates (TYBR) unit box costs. Witness Lion describes the allocation
4 methodology generally: "Volume-variable costs are allocated to post office boxes in
5 three categories: space provision, space support, and all other using the same
6 methodology as in Docket No. MC96-3." USPS-T-24 at 3.

7 The current post office box fee groups, and the Postal Service's allocation
8 methodology, result in higher volume-variable unit costs for boxes in smaller post
9 offices, and lower unit box costs in larger offices, than if costs were allocated to
10 boxes with greater consideration to office location and size. Consequently, fees
11 based upon the Postal Service's unit box costs are higher for boxholders in smaller
12 post offices than would otherwise be necessary if current fee groups were
13 restructured and volume-variable costs were de-averaged based upon CAG.

14 A. Postal Service Costs Are Higher In Larger CAG Post Offices Than In Smaller
15 Offices
16

17 The Postal Service classifies post offices by Cost Ascertainment Group
18 (CAG).⁴ Post offices are classified from A-L (excluding the letter "I") based upon the

⁴ Glossary of Postal Terms, Publication 32, April 1988, at 16.

1 amount of revenue generated, as measured by "revenue units."⁵ CAG A post
2 offices, defined as offices with 356,250 or more revenue units, generate the greatest
3 revenues, while CAG L offices, with 35 or fewer revenue units, generate the least.⁶

4 For Fiscal Year 1996, the most recent year available, a revenue unit equals
5 \$306.65.⁷ Consequently, a CAG A post office would generate revenues of at least
6 \$109,244,063 ($\$306.65 \times 356,250$ revenue units), and a CAG L office would
7 generate revenues less than or equal to \$10,733 ($\306.65×35 revenue units).

8 1. Average postal rental costs are higher in larger post offices, as
9 measured by CAG
10

11 Witness Lion acknowledges that average postal rental costs are higher in
12 CAG A, B and C post offices than average postal rental costs in CAG K and L post
13 offices. Tr. 3/1173 (OCA/USPS-T24-85). Postal Service data support this
14 conclusion. In Docket No. R90-1, Postal Service data revealed:⁸

15 there is a *significant relationship* between the CAG designation of a facility
16 and its associated square-foot rent (e.g. CAG A offices have higher rents
17 than CAG L offices). [emphasis added]

⁵ A revenue unit is "[T]he average amount of revenue per fiscal year from postal rates and fees for 1,000 pieces of originating mail and special service transactions." *Id.* at 54.

⁶ See U.S. Postal Service Handbook F-4, June 1992, at 22, for the range of revenue units defining each CAG.

⁷ Postal Bulletin 21940, February 27, 1997, at 51.

⁸ Docket No. R90-1, USPS Library Reference F-183, at 2, n. 2.

1 The Postal Service's Library Reference F-183, from that same docket, further
2 concluded that "CAG A and B offices tend to be located in higher-rent urban areas,
3 while CAG K and L offices tend to be located in lower-rent rural areas." *Id.* at 15.
4 More recently, in Docket No. MC96-3, when average rental costs were again
5 examined for post offices classified by CAG, the data revealed an almost uniform
6 decline in the average rental cost as the size of post office declines.⁹

7 2. Other postal costs are higher in larger CAG post offices
8

9 Aside from average postal rental costs, other costs vary by CAG, and are
10 higher in larger CAG offices. Two conditions produce this result. First, certain labor
11 costs are not incurred in smaller post offices. While the salaries and benefits of
12 mailhandlers are uniform nationwide, there are more mailhandlers in higher CAG
13 offices, and proportionately more costs, than in lower offices.¹⁰ In fact, there are
14 virtually no mailhandlers, and consequently almost no mailhandler costs, to be found
15 in CAG F-L offices. *Ibid.* Similarly, there are virtually no supervisors in offices CAG
16 H or below. *Ibid.* Hence, virtually no supervisor costs are incurred in such offices.

⁹ Docket No. MC96-3, Tr. 8/2916. Response of United States Postal Service to Interrogatory of the Office of the Consumer Advocate, OCA/USPS-88.

¹⁰ Tr. 13/7040-46. OCA/USPS-T5-11-13, Attachment 1, at 1, revised September 25, 1997. The cited material isn't limited to information on mailhandlers, but includes information on postmasters and supervisors, too.

1 Second, certain other costs, while present in all post offices, are incurred in
2 proportionally greater amounts in higher versus lower CAG offices. For example,
3 postmaster salaries and benefits are dependent, in part, on CAG and therefore vary
4 by CAG. Tr. 13/7069 (OCA/USPS-T24-66b). In Fiscal Year 1996, the average
5 salary for postmasters in CAGs K-L was \$39,309, while the average salary for CAG
6 A-G postmasters was \$55,220 -- 40 percent greater than the average salary of CAG
7 K-L postmasters. Tr. 13/7061 (OCA/USPS-T5-37).

8 B. The Postal Service's Methodology For Allocating Certain Post Office Box
9 Volume-Variable Costs Does Not Recognize Higher Costs In Larger Post
10 Offices And Lower Costs In Smaller Offices
11

12 In developing unit box costs, the Postal Service allocates volume-variable
13 Space Provision costs to post office boxes utilizing an average postal rental cost for
14 fee groups, and assigns an average of All Other costs to all boxes. In the case of
15 Space Provision costs, the use of an average rental cost to distribute such costs
16 does not recognize the wide variation in rental cost by CAG within Fee Groups C
17 and D. In the case of All Other costs, assigning an average cost to all boxes does
18 not recognize the fact that some costs are proportionately greater in larger CAG
19 post offices, or not incurred at all in smaller CAG offices.

- 1 1. Allocating volume-variable Space Provision costs to post office boxes
2 using average postal rental costs for fee groups masks widely different
3 rental costs by CAG in Fee Groups C and D
4

5 Volume-variable Space Provision costs are allocated to boxes, in part, upon
6 the average postal rental cost for each fee group. First, the average rental cost for
7 each delivery group is computed as an average of the rental cost per square foot for
8 each facility in each delivery group. Tr. 3/1067 (OCA/USPS-T24-5). Second, the
9 average rent for each fee group is calculated as the weighted average of boxes
10 installed by delivery group, using the percentages in Table 5 of USPS-T-24.¹¹
11 Space Provision costs are then allocated in direct proportion to a measure of box
12 capacity and rental cost per square foot for each fee group. USPS-T-24 at 20.

13 In the case of Fee Groups A and B, rental costs are computed from the
14 average of facilities' rental costs per square foot in designated high-cost ZIP Codes.
15 Fee Group A consists of ZIP Codes in Manhattan, New York, and Fee Group B
16 consists of ZIP Codes in eight large cities and some surrounding suburbs.¹² By
17 contrast, the city-other and non-city delivery groups, which form the basis of Fee
18 Groups C and D, respectively, do not represent rent-homogeneous groupings.

¹¹ See USPS LR-188, at 15, 15A and 15B, revised August 11, 1997.

¹² See Section D910.5.3., DMM 52, July 1, 1997.

1 Table 1 shows the average postal rental cost by CAG for city-other and non-
2 city delivery offices. For both delivery groups, there is a wide disparity in average
3 rental costs by CAG. In the city-other delivery group, the average rental cost for
4 CAG A offices (\$8.98) is more than double that of CAG L offices (\$4.37). In the
5 non-city group, the average rental cost for CAG C offices is 32 percent
6 (\$7.46/\$5.65-1) greater than for CAG L offices, while the average for CAG E offices
7 is more than 49 percent (\$8.43/\$5.65-1) greater when compared to CAG L offices.

Table 1. Average Rental Cost by CAG for City-Other and Non-City Delivery Offices				
CAG	City-Other Offices	Average Rental Cost (\$/sq.ft.)	Non-City Offices	Average Rental Cost (\$/sq.ft.)
A	1,005	\$8.98	0	NA
B	576	\$9.02	3	\$5.93
C	988	\$9.41	12	\$7.46
D	448	\$8.57	16	\$7.31
E	691	\$7.80	87	\$8.43
F	659	\$7.11	268	\$7.90
G	911	\$6.01	1,166	\$7.07
H	470	\$5.21	2,431	\$6.26
J	142	\$4.77	3,517	\$5.82
K	144	\$4.44	5,971	\$5.70
L	16	\$4.37	699	\$5.65
TOTAL	6,050	\$7.73	14,170	\$6.00

8
9 By contrast, average rental costs by CAG show greater similarity across
10 delivery groups. Average rental costs vary in a range from 8 percent (\$8.43/\$7.80-
11 1) for CAG E offices to 29 percent (\$5.65/\$4.37-1) for CAG L offices. The

1 percentage difference in average rental cost for each delivery group is also 29
2 percent ($\$7.73/\$6.00-1$).

3 2. Allocating an average of All Other volume-variable costs to post office
4 boxes generates unit box costs that are too low for larger post offices
5 and too high for smaller offices in all fee groups
6

7 All Other volume-variable costs consist primarily of labor costs. USPS-T-24
8 at 19. Under the Postal Service's methodology, these cost are allocated
9 proportionately to the number of boxes since, it is reasoned, "labor costs do not
10 depend upon box size or location." *Id.* at 20. This proportional allocation, without
11 regard to office location or size, results in \$6.69 ($\$104,580,000 / 15,620,769$ boxes)
12 being distributed by the Postal Service to all boxes in the TYBR. *Id.* at 24.

13 The Postal Service's proportional allocation of All Other costs to boxes
14 ignores the fact that certain costs *do* vary by CAG. As discussed previously,
15 postmasters costs vary by CAG, and it is not reasonable to expect mailhandler and
16 supervisor costs in offices in which they are not located. *See supra*, II. A. 2.
17 Nevertheless, the Postal Service's approach allocates mailhandler and supervisors
18 costs even to those offices that have no mailhandlers or supervisors working in
19 them. The effect of allocating an average cost to all post office boxes unfairly
20 increases unit box costs in smaller CAG offices and reduces such costs relative to
21 larger CAG offices.

1 C. Post Office Box Fees Based Upon Current Fee Groups And The Postal
2 Service's Cost Allocation Methodology Results In Unjustifiably Higher Fees In
3 Smaller Post Offices And Fees That Are Too Low In Larger Offices
4

5 The Postal Service's methodology of averaging higher cost, high CAG post
6 offices with lower cost, low CAG offices has the effect of inappropriately raising
7 volume-variable unit box costs in smaller offices and concomitantly lowering volume-
8 variable unit box costs for larger offices. For Fee Groups C and D, the use of
9 average postal rental costs for allocating Space Provision costs to boxes masks
10 differences in average rental costs by CAG. That is, higher CAG offices have higher
11 average rental costs than lower CAG offices. Similarly, the Postal Service's
12 methodology of allocating an average of All Other costs to all post office boxes
13 unjustly increases unit box costs in smaller CAG offices and reduces such costs for
14 larger CAG offices.

15 Post office box fees based on these average costs would necessarily mean
16 that box fees are too high in smaller CAG post offices, while box fees are too low in
17 larger CAG offices.

1 III. CURRENT POST OFFICE BOX FEE GROUPS SHOULD BE
2 RESTRUCTURED TO BETTER REFLECT DIFFERING COSTS OF LARGER
3 AND SMALLER POST OFFICES
4

5 A. Fee Groups C And D Should Be Restructured Based Upon The CAG Of The
6 Post Offices
7

8 I propose to restructure post office box fee groups by creating six new fee
9 groups. Three new fee groups would be formed from the current Fee Group C and
10 three from current Fee Group D, based upon CAG. CAG A-D post offices in Fee
11 Groups C and D would become new Fee Groups C-I and D-I, respectively. CAG E-
12 G post offices in each fee group would become new Fee Groups C-II and D-II,
13 respectively. The remaining CAG H-L post offices in each fee group would become
14 new Fee Groups C-III and D-III, respectively. This parallel grouping of CAGs from
15 the current fee groups would serve as a prerequisite to merging the six new fee
16 groups, and thereby eliminating a separate fee structure for Fee Groups C and D, in
17 a future proceeding.

18 1. Fee Groups C and D are similar in fundamental ways
19

20 There is a general recognition that Fee Groups C and D are fundamentally
21 similar. In Docket No. MC96-3, the difficulty of pricing post office boxes with a single
22 rate structure where costs are essentially the same was stated succinctly:

1 When areas are categorized and prices are set to reflect average cost
2 differences some of the resulting prices may seem irrational, as when a
3 suburban area and a rural area are in close proximity and have essentially
4 the same costs, but have different rates.¹³
5

6 In this docket, the Postal Service's fee proposal for Fee Groups C and D is
7 premised, in part, on a recognition that there are "similarities in Groups C and D with
8 respect to costs and service" USPS-T-39 at 65. According to witness
9 Needham, Fee Groups C and D are similar in that both consist of offices providing
10 carrier delivery service, either city or rural. Tr. 3/688-89. Moreover, "there really is
11 no difference in the type of box service and very minimal differences in the type of
12 costs for these . . . two fee groups." Tr. 3/691. These "minimal differences" in costs
13 are evident in the testimony of witness Lion, which shows that Postal Service unit
14 costs for providing box service in Fee Group D are approximately 10 percent less
15 than in Fee Group C.¹⁴ Table 1 shows similarities in cost from another perspective.
16 Average rental costs by CAG show greater similarity between the city-other and
17 non-city delivery groups, which form the basis of Fee Groups C and D, than within
18 these delivery groups. See *supra*, II. B. 1.

¹³ Docket No. MC96-3, Tr. 7/2296-97, Direct Testimony of OCA Witness Roger Sherman, OCA-T-100.

¹⁴ USPS-T-24, Table 13, at 27, revised October 1, 1997.

1 These similarities in cost suggest that merging Fee Groups C and D, and
2 establishing three fee groups based upon CAGs A-D, E-G and H-L, would produce
3 more rent-homogeneous fee groups than the current fee groups.¹⁵ However, I did
4 not take this step at this time because of my concern about substantial fee
5 increases for affected boxholders. *See infra*, V. A.

6 2. Restructuring Fee Groups C and D based upon CAGs A-D, E-G and
7 H-L produces more rent-homogeneous fee groups
8

9 In the alternative, Fee Groups C and D were separately restructured by CAG,
10 creating more rent-homogeneous fee groups. Table 2 shows the average rental
11 cost for offices in the city-other and non-city delivery groups displayed by CAGs A-
12 D, E-G and H-L. The first two columns under the headings "City-Other" and "Non-
13 City" offices replicate the same office and average rental cost data by CAG from
14 Table 1. The last column under each heading shows the "Weighted Average Rental
15 Cost (\$/Sq.Ft.)" when offices are grouped by CAGs A-D, E-G and H-L.

16 Average rental costs for each grouping by CAG are more rent-homogeneous
17 than the average for the delivery group as a whole. For city-other offices, the

¹⁵ See OCA-LR-2 at 15, which shows the average rental costs when the city-
other and non-city delivery offices are combined by CAG.

1

Table 2. Weighted Average Rental Cost for City-Other and Non-City Delivery Offices by CAG						
CAG	City-Other Offices			Non-City Offices		
	Offices	Average Rental Cost (\$/Sq.Ft.)	Weighted Average Rental Cost (\$/Sq.Ft.)	Offices	Average Rental Cost (\$/Sq.Ft.)	Weighted Average Rental Cost (\$/Sq.Ft.)
A	1,005	\$8.98	\$2.99	0	NA	NA
B	576	\$9.02	\$1.72	3	\$5.93	\$0.57
C	988	\$9.41	\$3.08	12	\$7.46	\$2.89
D	448	\$8.57	\$1.27	16	\$7.31	\$3.77
	3,017		\$9.07	31		\$7.24
E	691	\$7.80	\$2.39	87	\$8.43	\$0.48
F	659	\$7.11	\$2.07	268	\$7.90	\$1.39
G	911	\$6.01	\$2.42	1,166	\$7.07	\$5.42
	2,261		\$6.88	1,521		\$7.30
H	470	\$5.21	\$3.17	2,431	\$6.26	\$1.21
J	142	\$4.77	\$0.88	3,517	\$5.82	\$1.62
K	144	\$4.44	\$0.83	5,971	\$5.70	\$2.70
L	16	\$4.37	\$0.09	699	\$5.65	\$0.31
	772		\$4.96	12,618		\$5.84

2

3 weighted average rental cost for the largest offices, CAGs A-D, is \$9.07, and \$4.96
4 for the smallest offices, CAGs H-L. This compares to an average rental cost for all
5 city-other offices of \$7.73. See Table 1.

6 In restructuring Fee Groups C and D, the grouping of offices according to
7 CAG A-D to form new Fee Groups C-I and D-I was suggested to me by the same
8 grouping of CAG offices in the "City-B" delivery group. See OCA-LR-2 at 11. I
9 determined the other two groupings of offices by CAG, which form new Fee Groups

1 C-II and D-II, and C-III and D-III, by dividing the remaining "Average Rental Costs
2 (\$/Sq.Ft.)" by two dollar increments.

3 B. The Development Of Base Year And Post-MC96-3 Estimates Of The Number
4 Of Boxes In Use Is Similar To The Approach Followed By The Postal Service
5

6 1. Development of the Base Year estimates of the number of boxes in
7 use involves introduction of CAG groupings
8

9 Table 3 shows the estimated number of boxes installed by the type of carrier
10 delivery service offered. Table 3 is analogous to, and uses the same definition of
11 carrier delivery group as, Table 1 of USPS-T-24.¹⁶

Table 3. Estimated Number of Boxes Installed						
Carrier Delivery Group						
Box Size	City-A	City-B	City-Other	Non-city	Non-Delivery	Total
1	35,535	58,079	4,201,907	3,577,136	918,567	8,791,224
2	1,987	16,525	2,028,034	1,548,797	323,245	3,918,588
3	1,162	5,899	718,205	411,307	80,017	1,216,590
4	118	1,154	170,547	35,300	5,590	212,709
5	51	747	40,696	6,680	3,680	51,854
TOTAL	38,853	82,404	7,159,389	5,579,220	1,331,099	14,190,965

¹⁶ The totals by box size and for each carrier delivery group are similar to the figures in Table 1 of witness Lion's testimony. I used data contained in Postal Service Library Reference H-278, which was provided in response to OCA/USPS-T24-86, Tr. 3/1174. The data in LR-H-278 reflects the September 1997 Delivery Statistics File (DSF), the most recent data available. Consequently, the data by box size and delivery group are different from those contained in the testimony of witness Lion, who utilized the June 1997 DSF. See USPS LR-H-278 at 2.

1 Table 4 shows the estimated number of boxes in use by carrier delivery
2 group, and is analogous to witness Lion's Table 2.

Table 4. Estimated Number of Boxes in Use						
Carrier Delivery Group						
Box Size	City-A	City-B	City-other	Non-city	Non-Delivery	Total
1	26,350	49,829	3,498,063	2,928,396	742,423	7,245,061
2	1,644	11,966	1,483,084	1,217,569	244,690	2,958,953
3	922	4,309	491,133	318,872	58,774	874,010
4	96	674	104,946	25,503	3,907	135,126
5	28	678	21,979	2,829	414	25,928
TOTAL	29,040	67,456	5,599,205	4,493,169	1,050,208	11,239,078

3
4 Table 5 presents the "expansion factors" by carrier delivery group that are
5 used to estimate the number of boxes in use, pre-MC96-3. Unlike Table 3 in
6 witness Lion's testimony, however, Table 5 also shows the expansion factors for
7 each grouping by CAG in the city-other, non-city and nondelivery carrier delivery
8 groups.

9 The expansion factors, based on the number of boxes installed from two data
10 sources, the Delivery Statistics File (DSF) and the Post Office Box Survey (POB
11 Survey), are calculated as the ratio of column [a] to column [b].¹⁷ These factors are
12 then used to "expand" the number of boxes in use obtained from the POB Survey in
13 Table 4 to estimate the number of boxes in use prior to Docket No. MC96-3.

¹⁷ See USPS-T-24 at 6-7.

Table 5. Expansion Factors by CAG by Delivery Group				
Carrier Delivery Group	CAG	Boxes Installed (Sept 97 DSF)	Boxes Installed (POB Survey)	Expansion Factor
		[a]	[b]	[c]
City-A	A	104,384	38,853	2.68664
City-B	A-D	202,719	82,404	2.46006
City-other	A-D	6,608,169	3,989,487	1.65640
	E-G	3,828,343	2,890,257	1.32457
	H-L	333,537	279,645	1.19272
	Total	10,770,049	7,159,389	1.50433
Non-city	A-D	70,428	44,937	1.56726
	E-G	2,202,548	1,544,979	1.42562
	H-L	4,797,066	3,989,304	1.20248
	Total	7,070,042	5,579,220	1.26721
Nondelivery	A-D	15,983	6,633	2.40962
	E-G	336,871	231,101	1.45768
	H-L	1,357,016	1,093,365	1.24114
	Total	1,709,870	1,331,099	1.28456
GRAND TOTAL		19,857,064	14,190,965	1.39928

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Table 6 displays the results of applying the expansion factors to the estimated number of boxes in use from Table 4. Totals are presented for each CAG grouping within the city-other, non-city and non-delivery carrier delivery groups, and the total for each carrier delivery group. This table is analogous to Table 4 in USPS-T-24, with the addition of CAG groups.

Table 6. Estimated Boxes in Use by CAG by Delivery Group, Pre MC96-3				
	City-A	City-B		
Box Size	CAG A-D	CAG A-D		
1	70,793	122,582		
2	4,417	29,437		
3	2,477	10,600		
4	258	1,658		
5	75	1,668		
Total	78,020	165,946		
City-other				
Box Size	CAG A-D	CAG E-G	CAG H-L	Total
1	3,174,930	1,927,797	150,137	5,252,863
2	1,450,575	752,140	47,117	2,249,833
3	491,012	240,967	15,241	747,219
4	115,388	44,961	1,598	161,947
5	27,912	6,207	527	34,646
Total	5,259,817	2,972,072	214,620	8,446,508
Non-city				
Box Size	CAG A-D	CAG E-G	CAG H-L	Total
1	33,345	1,166,835	2,511,555	3,711,735
2	20,434	550,702	983,920	1,555,055
3	7,029	147,968	253,237	408,233
4	1,066	16,674	15,785	33,525
5	155	1,860	1,714	3,729
Total	62,029	1,884,038	3,766,211	5,712,278
Nondelivery				
Box Size	CAG A-D	CAG E-G	CAG H-L	Total
1	6,361	200,871	747,141	954,373
2	4,595	62,785	247,869	315,249
3	1,523	16,268	58,311	76,102
4	164	2,294	2,811	5,269
5	53	197	319	569
Total	12,696	282,415	1,056,451	1,351,562
GRAND TOTAL				15,754,314

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2 Table 7 presents the assumptions for allocating post office boxes to fee
3 groups resulting from Docket No. MC96-3. As in Table 5 of witness Lion's

1 testimony, these assumptions are used to estimate the number of customers in
2 classified post offices and contract stations who are ineligible for carrier delivery
3 service, and thus entitled to a post office box at no fee. Table 7 also extends the
4 subgroup naming convention (e.g., "C" and "E-0;" "D-1" and "E-1;" "D-2" and "E-2;"
5 etc.) used by witness Lion to indicate eligible and ineligible customers.

6 In the non-city delivery group, Table 7 shows the percent of eligible and
7 ineligible customers in classified offices and contract stations by CAG groupings.
8 For example, "D-1" represents the subgroup of customers eligible for delivery from
9 CAG A-D classified offices in the non-city delivery group, while "D-2" represents the
10 subgroup of eligible customers from CAG A-D contract stations.

Table 7. Assumptions for Allocation to Fee Groups						
Delivery Group	CAG	Percent Classified/ Contract	Eligible Customers		Ineligible Customers	
			Subgroup	Pct.	Subgroup	Pct.
			[a]	[b]	[c]	[c]
City-other Offices			C	99%	E-0	1%
Non-city Offices						
Classified	CAG A-D	100.00%	D-1	98.00%	E-1	2.00%
Contract	CAG A-D	0.00%	D-2	0.00%	E-2	0.00%
Classified	CAG E-G	87.94%	D-3	86.18%	E-3	1.76%
Contract	CAG E-G	12.06%	D-4	1.21%	E-4	10.85%
Classified	CAG H-L	97.66%	D-5	95.71%	E-5	1.95%
Contract	CAG H-L	2.34%	D-6	0.23%	E-6	2.10%
Nondelivery Offices			D-7	70%	E-7	30%

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1 Because offices are grouped by CAG, separate estimates of the percentage
2 of eligible and ineligible customers from classified offices and contract stations are
3 necessary. These percentages, shown in column [a] of Table 7, are developed in
4 Table 7A.

Table 7A. Development of Assumptions on Percent of Boxes at Classified Offices and Contract Stations by CAG					
CAG	Number of Boxes In Use at Non-city Delivery Offices	Boxes in Contract Stations by CAG	Adjustment to Number of Boxes at Contract Stations	Percent of Boxes at Classified Offices	Percent of Boxes at Contract Stations
	[a]	[b]	[c]	[d]	[e]
A	0	0	0		
B	8,098	0	0		
C	24,821	0	0		
D	29,110	0	0		
Total	62,029	0	0	100.00%	0.00%
E	204,416	5,078	109,733		
F	468,080	1,305	28,200		
G	1,211,542	4,130	89,247		
Total	1,884,038	10,513	227,180	87.94%	12.06%
H	1,483,834	1,469	31,744		
J	1,287,203	1,393	30,102		
K	963,414	1,148	24,808		
L	31,760	60	1,297		
Total	3,766,211	4,070	87,950	97.66%	2.34%
GRAND TOTAL	5,712,278	14,583	315,131	94.48%	5.52%

5
6 Tables 8A-C show the estimated number of boxes in use, pre-MC96-3. The
7 tables result from applying the percentages for eligible and ineligible delivery service
8 boxholders to the estimated boxes in use found in Table 6. Table 8A summarizes

- 1 the number of boxes in use for Fee Groups A, B and C. Fee Group C is the sum of
- 2 three subgroups by CAG. Table 8B provides the same information for Fee Group D,
- 3 which is the sum of nine subgroups. Table 8C shows the same information for Fee
- 4 Group E.

Table 8A. Estimated Boxes in Use, Pre-MC96-3						
Box Size	Fee Groups					
	A	B	C [A-D]	C[E-G]	C[H-L]	Total C
1	70,793	122,582	3,143,180	1,908,519	148,635	5,200,334
2	4,417	29,437	1,436,070	744,619	46,646	2,227,334
3	2,477	10,600	486,102	238,557	15,088	739,747
4	258	1,658	114,234	44,512	1,582	160,328
5	75	1,668	27,633	6,145	522	34,300
Total	78,020	165,946	5,207,218	2,942,351	212,473	8,362,043

Table 8B. Estimated Boxes in Use, Pre-MC96-3										
Box Size	Fee Groups									
	D-1	D-2	D-3	D-4	D-5	D-6	D-7[A-D]	D-7[E-G]	D-7[H-L]	Total D
1	32,678	0	1,005,613	14,070	2,403,846	5,865	4,453	140,610	522,999	4,130,134
2	20,025	0	474,611	6,640	941,724	2,298	3,217	43,950	173,508	1,665,973
3	6,889	0	127,523	1,784	242,377	591	1,066	11,387	40,818	432,435
4	1,044	0	14,370	201	15,108	37	115	1,606	1,968	34,449
5	152	0	1,603	22	1,640	4	37	138	223	3,820
Total	60,788	0	1,623,721	22,718	3,604,695	8,795	8,887	197,691	739,516	6,266,811

Table 8C. Estimated Boxes in Use, Pre-MC96-3									
Box Size	Fee Groups								
	E-0	E-1	E-2	E-3	E-4	E-5	E-6	E-7	Total E
1	52,529	667	0	20,523	126,629	49,058	52,786	286,312	588,503
2	22,498	409	0	9,686	59,764	19,219	20,679	94,575	226,830
3	7,472	141	0	2,603	16,058	4,946	5,322	22,831	59,373
4	1,619	21	0	293	1,810	308	332	1,581	5,964
5	346	3	0	33	202	33	36	171	824
Total	84,465	1,241	0	33,137	204,462	73,565	79,155	405,469	881,494

1 2. The post-MC96-3 estimated number of boxes in use shows CAG
2 groupings
3

4 Tables 9A-E show the estimated number of boxes in use resulting from fee
5 changes in Docket No. MC96-3. The post-MC96-3 estimate is derived by applying
6 the Commission's elasticities for each box size in each fee group.¹⁸ Table 9A shows
7 the results for Fee Groups A and B. Table 9B presents the estimate for Fee Group
8 C, with the results displayed separately for each grouping by CAG. Table 9C shows
9 the estimates for Fee Group D, maintaining separate estimates for the effects of
10 price increases for each grouping by CAG. Table 9D presents the results for Fee
11 Group E. Table 9E summarizes the estimates by fee group in terms of paid and free
12 boxes, and for caller service and reserve call numbers.

¹⁸ See PRC Op. MC96-3, Appendix D, Schedule 3, at 17. See *also* Docket No. R97-1, USPS-T-24, Tables 7A-D, at 12-15.

Table 9A. Estimated Boxes in Use by Fee Group, Post-MC96-3							
Fee Groups A & B							
Fee Group	Box Size	Pre 96-3 Fees	Post 96-3 Fees	Pct. Change	Pre 96-3 Boxes	Elasticity	Post 96-3 Boxes
A	1	\$48	\$48	0%	70,793	-0.522	70,793
	2	\$74	\$74	0%	4,417	-0.601	4,417
	3	\$128	\$128	0%	2,477	-0.517	2,477
	4	\$210	\$242	15%	258	-0.517	238
	5	\$348	\$418	20%	75	-0.517	67
Total A					78,020		77,992
B	1	\$44	\$44	0%	122,582	-0.478	122,582
	2	\$66	\$66	0%	29,437	-0.603	29,437
	3	\$112	\$112	0%	10,600	-0.517	10,600
	4	\$190	\$218	15%	1,658	-0.517	1,532
	5	\$310	\$372	20%	1,668	-0.517	1,496
Total B					165,946		165,647

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Table 9B. Estimated Boxes in Use by Fee Group, Post-MC96-3								
Fee Group C								
Fee Group	CAG	Box Size	Pre 96-3 Fees	Post 96-3 Fees	Pct. Change	Pre 96-3 Boxes	Elasticity	Post 96-3 Boxes
C	A-D	1	\$40	\$40	0%	3,143,180	-0.522	3,143,180
		2	\$58	\$58	0%	1,436,070	-0.605	1,436,070
		3	\$104	\$104	0%	486,102	-0.517	486,102
		4	\$172	\$172	0%	114,234	-0.517	114,234
		5	\$288	\$288	0%	27,633	-0.517	27,633
Subtotal C[A-D]						5,207,218		5,207,218
C	E-G	1	\$40	\$40	0%	1,908,519	-0.522	1,908,519
		2	\$58	\$58	0%	744,619	-0.605	744,619
		3	\$104	\$104	0%	238,557	-0.517	238,557
		4	\$172	\$172	0%	44,512	-0.517	44,512
		5	\$288	\$288	0%	6,145	-0.517	6,145
Subtotal C[E-G]						2,942,351		2,942,351
C	H-L	1	\$40	\$40	0%	148,635	-0.522	148,635
		2	\$58	\$58	0%	46,646	-0.605	46,646
		3	\$104	\$104	0%	15,088	-0.517	15,088
		4	\$172	\$172	0%	1,582	-0.517	1,582
		5	\$288	\$288	0%	522	-0.517	522
Subtotal C[H-L]						212,473		212,473
Total C						8,362,043		8,362,043

Table 9C. Estimated Boxes in Use by Fee Group, Post-MC96-3								
Fee Group D								
Fee Group	CAG	Box Size	Pre 96-3 Fees	Post 96-3 Fees	Pct. Change	Pre 96-3 Boxes	Elasticity	Post 96-3 Boxes
D-1 Classified eligible	A-D	1	\$8	\$12	50%	32,678	-0.085	31,290
		2	\$13	\$20	54%	20,025	-0.136	18,561
		3	\$24	\$36	50%	6,889	-0.152	6,364
		4	\$35	\$53	51%	1,044	-0.152	963
		5	\$55	\$83	51%	152	-0.152	140
Subtotal						60,788		57,318
D-2 Contract eligible	A-D	1	\$2	\$12	500%	0	-0.054	0
		2	\$2	\$20	900%	0	-0.069	0
		3	\$2	\$36	1700%	0	-0.036	0
		4	\$2	\$53	2550%	0	-0.024	0
		5	\$2	\$83	4050%	0	-0.015	0
Subtotal						0		0
D-3 Classified eligible	E-G	1	\$8	\$12	50%	1,005,613	-0.085	962,900
		2	\$13	\$20	54%	474,611	-0.136	439,897
		3	\$24	\$36	50%	127,523	-0.152	117,818
		4	\$35	\$53	51%	14,370	-0.152	13,245
		5	\$55	\$83	51%	1,603	-0.152	1,479
Subtotal						1,623,721		1,535,340
D-4 Contract eligible	E-G	1	\$2	\$12	500%	14,070	-0.054	10,301
		2	\$2	\$20	900%	6,640	-0.069	2,507
		3	\$2	\$36	1700%	1,784	-0.036	690
		4	\$2	\$53	2550%	201	-0.024	76
		5	\$2	\$83	4050%	22	-0.015	8
Subtotal						22,718		13,582
D-5 Classified eligible	H-L	1	\$8	\$12	50%	2,403,846	-0.085	2,301,744
		2	\$13	\$20	54%	941,724	-0.136	872,844
		3	\$24	\$36	50%	242,377	-0.152	223,931
		4	\$35	\$53	51%	15,108	-0.152	13,925
		5	\$55	\$83	51%	1,640	-0.152	1,513
Subtotal						3,604,695		3,413,957
D-6 Contract eligible	H-L	1	\$2	\$12	500%	5,865	-0.054	4,294
		2	\$2	\$20	900%	2,298	-0.069	867
		3	\$2	\$36	1700%	591	-0.036	229
		4	\$2	\$53	2550%	37	-0.024	14
		5	\$2	\$83	4050%	4	-0.015	2
Subtotal						8,795		5,405

Table 9C. Estimated Boxes in Use by Fee Group, Post MC96-3 (continued)								
Fee Group D								
D-7 Nondelivery eligible	A-D	1	\$8	\$12	50%	4,453	-0.054	4,334
		2	\$13	\$20	54%	3,217	-0.069	3,097
		3	\$24	\$36	50%	1,066	-0.036	1,047
		4	\$35	\$53	51%	115	-0.024	113
		5	\$55	\$83	51%	37	-0.015	37
Subtotal						8,887		8,627
D-7 Nondelivery eligible	E-G	1	\$8	\$12	50%	140,610	-0.054	136,843
		2	\$13	\$20	54%	43,950	-0.069	42,313
		3	\$24	\$36	50%	11,387	-0.036	11,182
		4	\$35	\$53	51%	1,606	-0.024	1,586
		5	\$55	\$83	51%	138	-0.015	137
Subtotal						197,691		192,061
D-7 Nondelivery eligible	H-L	1	\$8	\$12	50%	522,999	-0.054	508,990
		2	\$13	\$20	54%	173,508	-0.069	167,046
		3	\$24	\$36	50%	40,818	-0.036	40,081
		4	\$35	\$53	51%	1,968	-0.024	1,943
		5	\$55	\$83	51%	223	-0.015	222
Subtotal						739,516		718,282
D Total eligible		1				4,130,134		3,960,696
		2				1,665,973		1,547,132
		3				432,435		401,341
		4				34,449		31,865
		5				3,820		3,537
Total D						6,266,811		5,944,572

Table 9D. Estimated Boxes in Use by Fee Group, Post-MC96-3							
Fee Group E							
Fee Group	Box Size	Pre 96-3 Fees	Post 96-3 Fees	Pct. Change	Pre 96-3 Boxes	Elasticity	Post 96-3 Boxes
E-0 City-other ineligible	1	\$8	\$0		52,529		52,529
	2	\$13	\$0		22,498		22,498
	3	\$24	\$0		7,472		7,472
	4	\$35	\$0		1,619		1,619
	5	\$55	\$0		346		346
Subtotal					84,465		84,465
E-1 Non-city Classified ineligible	1	\$8	\$0		667		667
	2	\$13	\$0		409		409
	3	\$24	\$0		141		141
	4	\$35	\$0		21		21
	5	\$55	\$0		3		3
Subtotal					1,241		1,241
E-2 Noncity Contract ineligible	1	\$2	\$0		0		0
	2	\$2	\$0		0		0
	3	\$2	\$0		0		0
	4	\$2	\$0		0		0
	5	\$2	\$0		0		0
Subtotal					0		0
E-3 Noncity Classified ineligible	1	\$8	\$0		20,523		20,523
	2	\$13	\$0		9,686		9,686
	3	\$24	\$0		2,603		2,603
	4	\$35	\$0		293		293
	5	\$55	\$0		33		33
Subtotal					33,137		33,137
E-4 Noncity Contract ineligible	1	\$2	\$0		126,629		126,629
	2	\$2	\$0		59,764		59,764
	3	\$2	\$0		16,058		16,058
	4	\$2	\$0		1,810		1,810
	5	\$2	\$0		202		202
Subtotal					204,462		204,462
E-5 Noncity Classified ineligible	1	\$8	\$0		49,058		49,058
	2	\$13	\$0		19,219		19,219
	3	\$24	\$0		4,946		4,946
	4	\$35	\$0		308		308
	5	\$55	\$0		33		33
Subtotal					73,565		73,565

Table 9D. Estimated Boxes in Use by Fee Group, Post MC96-3 (continued)							
Fee Group E							
E-6 Noncity Contract ineligible	1	\$2	\$0		52,786		52,786
	2	\$2	\$0		20,679		20,679
	3	\$2	\$0		5,322		5,322
	4	\$2	\$0		332		332
	5	\$2	\$0		36		36
Subtotal					79,155		79,155
E-7 Nondelivery ineligible	1	\$8	\$0		286,312		286,312
	2	\$13	\$0		94,575		94,575
	3	\$24	\$0		22,831		22,831
	4	\$35	\$0		1,581		1,581
	5	\$55	\$0		171		171
Subtotal					405,469		405,469
E Total ineligible	1		\$0		588,503		588,503
	2		\$0		226,830		226,830
	3		\$0		59,373		59,373
	4		\$0		5,964		5,964
	5		\$0		824		824
Total E					881,494		881,494

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Table 9E. Estimated Boxes in Use by Fee Group, Post-MC96-3							
All Fee Groups plus Caller Service and Reserve Numbers							
Fee Group	Box Size	Pre 96-3 Fees	Post 96-3 Fees	Pct. Change	Pre 96-3 Boxes	Elasticity	Post 96-3 Boxes
Paid Boxes (A+B+C+D)					14,872,820		14,550,254
Free Boxes (E)					881,494		881,494
TOTAL BOXES					15,754,314		15,431,749
Caller Service		\$349	\$451	29%	100,770	-0.398	89,055
Reserve Numbers		\$30	\$30	0%	178,717		178,717
GRAND TOTAL					16,033,801		15,699,521

1 C. The Test Year Before Rates And After Rates Estimates Of The Number of
2 Boxes In Use And Revenues Reflect The New Fee Groups

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4 Table 10 reconfigures the post-MC96-3 fee groups into the proposed new fee
5 groups. The test year before rates (TYBR) number of boxes in use is also
6 computed by applying the Postal Service's 1.9 percent growth factor. See
7 USPS-T-24 at 16.

Table 10. Estimated Boxes in Use, Proposed New Fee Groups, TYBY			
New Fee Groups			
Growth Factor = 0.019			
New Fee Groups	Box Size	Post 96-3 Boxes	TYBR Boxes
A	1	70,793	72,138
	2	4,417	4,501
	3	2,477	2,524
	4	238	242
	5	67	69
Total A		77,992	79,474
B	1	122,582	124,912
	2	29,437	29,996
	3	10,600	10,802
	4	1,532	1,561
	5	1,496	1,524
Total B		165,647	168,795
C-I	1	3,143,180	3,202,901
	2	1,436,070	1,463,355
	3	486,102	495,338
	4	114,234	116,404
	5	27,633	28,158
Total C-I		5,207,218	5,306,156
C-II	1	1,908,519	1,944,781
	2	744,619	758,767
	3	238,557	243,090
	4	44,512	45,357
	5	6,145	6,262
Total C-II		2,942,351	2,998,256

Table 10. Estimated Boxes in Use, Proposed New Fee Groups, TYBR (continued)			
New Fee Groups			
C-III	1	148,635	151,459
	2	46,646	47,532
	3	15,088	15,375
	4	1,582	1,612
	5	522	532
Total C-III		212,473	216,510
D-I	1	35,624	36,301
	2	21,657	22,069
	3	7,411	7,552
	4	1,076	1,096
	5	177	180
Total D-I		65,945	67,198
D-II	1	1,110,045	1,131,135
	2	484,717	493,926
	3	129,690	132,154
	4	14,907	15,190
	5	1,624	1,655
Total D-II		1,740,982	1,774,061
D-III	1	2,815,028	2,868,513
	2	1,040,758	1,060,532
	3	264,241	269,261
	4	15,882	16,184
	5	1,736	1,769
Total D-III		4,137,645	4,216,260
E	1	588,503	599,685
	2	226,830	231,140
	3	59,373	60,501
	4	5,964	6,078
	5	824	840
Total E		881,494	898,243
GRAND TOTAL		15,431,749	15,724,952

1

2 Fee Groups A and B are the same as the post-MC96-3 fee groups. Fee
3 Groups C and D are reconfigured into the proposed new Fee Groups C-I, C-II and
4 C-III and D-I, D-II, and D-III. C-I and D-I consist of CAG A-D post offices,
5 representing the largest post offices in the current Fee Groups C and D,

1 respectively. New Fee Groups C-II and D-II consist of medium-sized post offices,
2 CAG E-G, while C-III and D-III consist of the smallest post offices, CAG H-L.

3 Tables 11A and B show the development of the estimated boxes in use and
4 revenues in the TYAR. Table 11A shows the proposed fees, and presents the
5 TYAR boxes in use, revenues, and the change in revenues from the test year before
6 rates to the test year after rates for the new fee groups. Table 11B summarizes the
7 estimated boxes in use and revenues in the TYAR by paid and free boxes, and for
8 caller service and reserve call numbers. Revenues are estimated to increase \$73
9 million to a total of \$690 million.

Table 11A. Estimated Boxes in Use by New Fee Groups, TYAR										
New Fee Groups										
New Fee Groups	Box Size	Current Fees	Proposed Box Fees	Pct. Chg.	OCA TYBR Boxes	Elasticity	OCA TYAR Boxes	OCA TYBR Revenues	OCA TYAR Revenues	Change in Revenues
		[a]	[b]	[c]	[d]	[e]	[f]	[g]	[h]	[i]
A	1	\$48	\$75	56%	72,138	-0.522	50,960	\$3,462,625	\$3,822,014	\$359,389
	2	\$74	\$110	49%	4,501	-0.601	3,186	\$333,056	\$350,447	\$17,390
	3	\$128	\$190	48%	2,524	-0.517	1,892	\$323,090	\$359,568	\$36,478
	4	\$242	\$330	36%	242	-0.517	197	\$58,595	\$64,891	\$6,296
	5	\$418	\$550	32%	69	-0.517	57	\$28,713	\$31,617	\$2,903
Total A					79,474		56,293	\$4,206,080	\$4,628,536	\$422,456
B	1	\$44	\$65	48%	124,912	-0.478	96,390	\$5,496,107	\$6,265,339	\$769,232
	2	\$66	\$95	44%	29,996	-0.603	22,055	\$1,979,763	\$2,095,190	\$115,427
	3	\$112	\$160	43%	10,802	-0.517	8,410	\$1,209,804	\$1,345,605	\$135,802
	4	\$218	\$290	33%	1,561	-0.517	1,295	\$340,285	\$375,429	\$35,144
	5	\$372	\$485	30%	1,524	-0.517	1,285	\$566,923	\$623,133	\$56,210
Total B					168,795		129,434	\$9,592,883	\$10,704,697	\$1,111,815
C-I	1	\$40	\$56	40%	3,202,901	-0.522	2,534,252	\$128,116,026	\$141,918,088	\$13,802,061
	2	\$58	\$81	40%	1,463,355	-0.605	1,112,183	\$84,874,580	\$90,086,804	\$5,212,224
	3	\$104	\$146	40%	495,338	-0.517	391,986	\$51,515,132	\$57,229,916	\$5,714,784
	4	\$172	\$240	40%	116,404	-0.517	92,628	\$20,021,558	\$22,230,648	\$2,209,090
	5	\$288	\$402	40%	28,158	-0.517	22,399	\$8,109,453	\$9,004,508	\$895,054
Total C-I					5,306,156		4,153,447	\$292,636,749	\$320,469,963	\$27,833,214
C-II	1	\$40	\$46	15%	1,944,781	-0.522	1,792,531	\$77,791,222	\$82,456,416	\$4,665,194
	2	\$58	\$67	16%	758,767	-0.605	687,515	\$44,008,463	\$46,063,521	\$2,055,058
	3	\$104	\$120	15%	243,090	-0.517	223,768	\$25,281,331	\$26,852,110	\$1,570,780
	4	\$172	\$198	15%	45,357	-0.517	41,815	\$7,801,448	\$8,279,348	\$477,900
	5	\$288	\$331	15%	6,262	-0.517	5,779	\$1,803,345	\$1,912,715	\$109,370
Total C-II					2,998,256		2,751,407	\$156,685,809	\$165,564,111	\$8,878,302
C-III	1	\$40	\$40	0%	151,459	-0.522	151,459	\$6,058,375	\$6,058,375	\$0
	2	\$58	\$58	0%	47,532	-0.605	47,532	\$2,756,864	\$2,756,864	\$0
	3	\$104	\$104	0%	15,375	-0.517	15,375	\$1,598,978	\$1,598,978	\$0
	4	\$172	\$172	0%	1,612	-0.517	1,612	\$277,319	\$277,319	\$0
	5	\$288	\$288	0%	532	-0.517	532	\$153,165	\$153,165	\$0
Total C-III					216,510		216,510	\$10,844,702	\$10,844,702	\$0
D-I	1	\$12	\$24	100%	36,301	-0.054	34,356	\$435,608	\$824,544	\$388,936
	2	\$20	\$40	100%	22,069	-0.069	20,542	\$441,377	\$821,698	\$380,320
	3	\$36	\$72	100%	7,552	-0.036	7,279	\$271,869	\$524,117	\$252,247
	4	\$53	\$106	100%	1,096	-0.024	1,070	\$58,107	\$113,378	\$55,270
	5	\$83	\$166	100%	180	-0.015	178	\$14,978	\$29,495	\$14,517
Total D-I					67,198		63,425	\$1,221,940	\$2,313,232	\$1,091,292
D-II	1	\$12	\$18	50%	1,131,135	-0.054	1,100,837	\$13,573,626	\$19,815,069	\$6,241,444
	2	\$20	\$30	50%	493,926	-0.069	476,845	\$9,878,524	\$14,305,338	\$4,426,814
	3	\$36	\$54	50%	132,154	-0.036	129,769	\$4,757,533	\$7,007,536	\$2,250,003
	4	\$53	\$80	51%	15,190	-0.024	15,001	\$805,088	\$1,200,115	\$395,027
	5	\$83	\$125	51%	1,655	-0.015	1,642	\$137,377	\$205,283	\$67,907
Total D-II					1,774,061		1,724,095	\$29,152,148	\$42,533,342	\$13,381,194
D-III	1	\$12	\$15	25%	2,868,513	-0.054	2,830,096	\$34,422,158	\$42,451,433	\$8,029,276
	2	\$20	\$25	25%	1,060,532	-0.069	1,042,194	\$21,210,646	\$26,054,849	\$4,844,202
	3	\$36	\$45	25%	269,261	-0.036	266,832	\$9,693,407	\$12,007,445	\$2,314,038
	4	\$53	\$66	25%	16,184	-0.024	16,087	\$857,763	\$1,061,762	\$203,999
	5	\$83	\$104	25%	1,769	-0.015	1,762	\$146,827	\$183,260	\$36,433
Total D-III					4,216,260		4,156,971	\$66,330,801	\$81,758,749	\$15,427,948
E	1	\$0	\$0		599,685		599,685	\$0	\$0	\$0
	2	\$0	\$0		231,140		231,140	\$0	\$0	\$0
	3	\$0	\$0		60,501		60,501	\$0	\$0	\$0
	4	\$0	\$0		6,078		6,078	\$0	\$0	\$0
	5	\$0	\$0		840		840	\$0	\$0	\$0
Total E					898,243		898,243	\$0	\$0	\$0

Table 11B. Estimated Boxes in Use by Fee Groups, TYAR										
All Fee Groups plus Caller Service and Reserve Numbers										
New Fee Groups	Box Size	Current Fees	Proposed Fees	Pct. Chg.	OCA TYBR Boxes	Elasticity	OCA TYAR Boxes	OCA TYBR Revenues	OCA TYAR Revenues	Change in Revenues
Paid Boxes					14,826,709		13,251,582	\$570,671,113	\$638,817,332	\$68,146,219
Free Boxes (E)					898,243		898,243	\$0	\$0	\$0
TOTAL BOXES					15,724,952		14,149,825	\$570,671,113	\$638,817,332	\$68,146,219
Caller Service		\$451	\$550	22%	90,747	-0.431	82,161	\$40,926,917	\$45,188,468	\$4,261,551
Reserve Numbers		\$30	\$40	33%	182,113	-0.517	150,749	\$5,463,379	\$6,029,976	\$566,597
GRAND TOTAL					15,997,812		14,382,735	\$617,061,409	\$690,035,776	\$72,974,367

1

1 IV. POST OFFICE BOX VOLUME-VARIABLE COSTS SHOULD BE
2 ALLOCATED SO THAT HIGHER COSTS ASSOCIATED WITH LARGER POST
3 OFFICES ARE DISTRIBUTED TO BOXES IN THOSE OFFICES
4

5 A. Space Provision Costs Should Be Allocated Based Upon Average Rental
6 Costs For The New Fee Groups To Better Reflect Costs In Larger And
7 Smaller Post Offices
8

9 In developing unit box costs, I allocate Space Provision costs in direct
10 proportion to both a measure of box size (capacity) and the particular average rental
11 cost per square foot for each respective fee group. This is the same general
12 approach followed by witness Lion. See USPS-T-24 at 20. However, my allocation
13 is formed by the *product of the average postal rental cost for each fee group and the*
14 *equivalent capacity* by box size.

15 Table 12 shows the allocation of Space Provision costs to derive the total
16 cost by box size and the unit box costs in the TYBR. The distribution key is shown
17 in column [e], "Rent x Equivalent Capacity."

Table 12. Allocation of Space Provision Costs by New Fee Groups, TYBR								
New Fee Groups								
New Fee Groups	Box Size	TYBR Boxes	Capacity Factor	Equivalent Capacity	Average Rent (\$/sq. ft.)	Rent x Equivalent Capacity	Total Costs (\$000)	Cost Per Box
		[a]	[b]	[c]	[d]	[e]	[f]	[g]
A	1	72,138	1	72,138	\$23.49	1,694,558	\$2,269	\$31.45
	2	4,501	1.5	6,751	\$23.49	158,588	\$212	\$47.17
	3	2,524	3	7,572	\$23.49	177,880	\$238	\$94.35
	4	242	6	1,453	\$23.49	34,126	\$46	\$188.69
	5	69	12	824	\$23.49	19,363	\$26	\$377.39
Total A		79,474	1.12	88,739	\$23.49	2,084,516	\$2,791	\$35.12
B	1	124,912	1	124,912	\$16.74	2,091,401	\$2,800	\$22.42
	2	29,996	1.5	44,995	\$16.74	753,348	\$1,009	\$33.62
	3	10,802	3	32,405	\$16.74	542,566	\$726	\$67.25
	4	1,561	6	9,366	\$16.74	156,810	\$210	\$134.49
	5	1,524	12	18,288	\$16.74	306,195	\$410	\$268.99
Total B		168,795	1.36	229,965	\$16.74	3,850,319	\$5,155	\$30.54
C-I	1	3,202,901	1	3,202,901	\$9.07	29,044,275	\$38,884	\$12.14
	2	1,463,355	1.5	2,195,032	\$9.07	19,904,807	\$26,649	\$18.21
	3	495,338	3	1,486,013	\$9.07	13,475,342	\$18,041	\$36.42
	4	116,404	6	698,426	\$9.07	6,333,412	\$8,479	\$72.84
	5	28,158	12	337,894	\$9.07	3,064,061	\$4,102	\$145.68
Total C-I		5,306,156	1.49	7,920,267	\$9.07	71,821,898	\$96,155	\$18.12
C-II	1	1,944,781	1	1,944,781	\$6.88	13,379,446	\$17,912	\$9.21
	2	758,767	1.5	1,138,150	\$6.88	7,830,094	\$10,483	\$13.82
	3	243,090	3	729,269	\$6.88	5,017,130	\$6,717	\$27.63
	4	45,357	6	272,144	\$6.88	1,872,257	\$2,507	\$55.26
	5	6,262	12	75,139	\$6.88	516,934	\$692	\$110.53
Total C-II		2,998,256	1.39	4,159,483	\$6.88	28,615,862	\$38,311	\$12.78
C-III	1	151,459	1	151,459	\$4.96	751,983	\$1,007	\$6.65
	2	47,532	1.5	71,298	\$4.96	353,990	\$474	\$9.97
	3	15,375	3	46,124	\$4.96	229,004	\$307	\$19.94
	4	1,612	6	9,674	\$4.96	48,030	\$64	\$39.88
	5	532	12	6,382	\$4.96	31,686	\$42	\$79.76
Total C-III		216,510	1.32	284,938	\$4.96	1,414,692	\$1,894	\$8.75
D-I	1	36,301	1	36,301	\$7.23	262,432	\$351	\$9.68
	2	22,069	1.5	33,103	\$7.23	239,317	\$320	\$14.52
	3	7,552	3	22,656	\$7.23	163,788	\$219	\$29.04
	4	1,096	6	6,578	\$7.23	47,557	\$64	\$58.07
	5	180	12	2,165	\$7.23	15,655	\$21	\$116.14
Total D-I		67,198	1.50	100,803	\$7.23	728,749	\$976	\$14.52
D-II	1	1,131,135	1	1,131,135	\$7.29	8,241,234	\$11,033	\$9.75
	2	493,926	1.5	740,889	\$7.29	5,397,976	\$7,227	\$14.63
	3	132,154	3	396,461	\$7.29	2,888,539	\$3,867	\$29.26
	4	15,190	6	91,142	\$7.29	664,044	\$889	\$58.53
	5	1,655	12	19,862	\$7.29	144,708	\$194	\$117.05
Total D-II		1,774,061	1.34	2,379,490	\$7.29	17,336,501	\$23,210	\$13.08

Table 12. Allocation of Space Provision Costs by New Fee Groups, TYBR (continued)								
New Fee Groups								
D-III	1	2,868,513	1	2,868,513	\$6.07	17,410,496	\$23,309	\$8.13
	2	1,060,532	1.5	1,590,798	\$6.07	9,655,382	\$12,927	\$12.19
	3	269,261	3	807,784	\$6.07	4,902,860	\$6,564	\$24.38
	4	16,184	6	97,105	\$6.07	589,382	\$789	\$48.76
	5	1,769	12	21,228	\$6.07	128,844	\$172	\$97.51
Total D-III		4,216,260	1.28	5,385,429	\$6.07	32,686,964	\$43,761	\$10.38
E	1	599,685	1	599,685	\$6.98	4,185,123	\$5,603	\$9.34
	2	231,140	1.5	346,709	\$6.98	2,419,640	\$3,239	\$14.01
	3	60,501	3	181,502	\$6.98	1,266,678	\$1,696	\$28.03
	4	6,078	6	36,467	\$6.98	254,498	\$341	\$56.06
	5	840	12	10,080	\$6.98	70,344	\$94	\$112.12
Total E		898,243	1.31	1,174,442	\$6.98	8,196,283	\$10,973	\$12.22
GRAND TOTAL		15,724,952		21,723,555		166,735,784	\$223,226	\$14.20

1

2 The development of the "Average Rent (\$/sq.ft.)" in Table 12 is shown in

3 Tables 12A-B. Table 12A presents, based upon the estimated number of boxes

4 installed, the conversion of the average postal rental costs by delivery group into the

5 weighted average rental costs for the new fee group. Table 12B develops the

6 number of boxes installed for each new fee group, using the percentages shown in

7 Table 7. The average rents for the new fee group are simply the weighted average

8 of boxes installed by delivery group, which are shown on the last row of Table 12A.

Table 12A. Weighted Average Rental Cost for New Fee Groups												
Boxes Installed by Delivery Groups and New Fee Groups												
CARRIER DELIVERY GROUPS		NEW FEE GROUPS									TOTAL	AVERAGE RENT
		A	B	C-I	C-II	C-III	D-I	D-II	D-III	E		
											[a]	[b]
CITY-A		104,384									104,384	\$23.49
CITY-B			202,719								202,719	\$16.74
CITY-OTHER											10,770,049	
	CAG A-D			6,542,087							6,542,087	\$9.07
	CAG E-G				3,790,060						3,790,060	\$6.88
	CAG H-L					330,202					330,202	\$4.96
	E-0									107,700	107,700	\$7.19
NON-CITY											7,070,042	
Classified	CAG A-D						69,019			1,409	70,428	\$7.24
Contract	CAG A-D						0			0	0	\$7.24
Classified	CAG E-G							1,898,222		38,739	1,936,961	\$7.30
Contract	CAG E-G							26,559		239,028	265,587	\$7.30
Classified	CAG H-L								4,591,342	93,701	4,685,042	\$5.84
Contract	CAG H-L								11,202	100,821	112,024	\$5.84
NONDELIVERY											1,709,870	
	CAG A-D						11,188				11,188	\$7.19
	CAG E-G							235,810			235,810	\$7.19
	CAG H-L								949,911		949,911	\$7.19
	E-7									512,961	512,961	\$7.19
TOTAL		104,384	202,719	6,542,087	3,790,060	330,202	80,208	2,160,591	5,552,455	1,094,359	19,857,064	
AVERAGE RENT PER SQ.FT., NEW FEE GROUP		\$23.49	\$16.74	\$9.07	\$6.88	\$4.96	\$7.23	\$7.29	\$6.07	\$6.98		

Table 12B. Estimated Boxes Installed by CAG by Fee Group										
Fee Groups										
	A	B	C [A-D]	C[E-G]	C[H-L]	Total C				
Boxes Installed	104,384	202,719	6,542,087	3,790,060	330,202	10,662,349				
Fee Groups										
	D-1	D-2	D-3	D-4	D-5	D-6	D-7[A-D]	D-7[E-G]	D-7[H-L]	Total D
Boxes Installed	69,019	0	1,898,222	26,559	4,591,342	11,202	11,188	235,810	949,911	7,793,253
Fee Groups										
	E-0	E-1	E-2	E-3	E-4	E-5	E-6	E-7	Total E	
Boxes Installed	107,700	1,409	0	38,739	239,028	93,701	100,821	512,961	1,094,359	

1 B. A Portion Of All Other Costs Should Be Allocated To The New Fee Groups
2 Based Upon Groupings By CAG To Better Reflect Costs In Larger And
3 Smaller Post Offices
4

5 I allocate a portion of All Other costs to boxes by CAG. Table 13 summarizes
6 the allocation of All Other costs and the development of TYBR unit box costs.

Table 13. Summary of Allocation of All Other Costs by New Fee Groups, TYBR								
New Fee Groups								
New Fee Groups	Box Size	TYBR Boxes	Post-masters Costs (000)	Supervisor Costs (000)	Mailhandler Costs (000)	Non-CAG Costs (000)	Total (000)	Cost per Box
		[a]	[b]	[c]	[d]	[e]	[f]	[g]
A	1	72,138	\$0	\$52	\$154	\$375	\$582	\$8.07
	2	4,501	\$0	\$3	\$10	\$23	\$36	\$8.07
	3	2,524	\$0	\$2	\$5	\$13	\$20	\$8.07
	4	242	\$0	\$0	\$1	\$1	\$2	\$8.07
	5	69	\$0	\$0	\$0	\$0	\$1	\$8.07
Total A		79,474	\$0	\$58	\$170	\$414	\$642	\$8.07
B	1	124,912	\$2	\$91	\$268	\$650	\$1,010	\$8.08
	2	29,996	\$0	\$22	\$64	\$156	\$243	\$8.08
	3	10,802	\$0	\$8	\$23	\$56	\$87	\$8.08
	4	1,561	\$0	\$1	\$3	\$8	\$13	\$8.08
	5	1,524	\$0	\$1	\$3	\$8	\$12	\$8.08
Total B		168,795	\$3	\$122	\$361	\$878	\$1,365	\$8.08
C-I	1	3,202,901	\$105	\$2,321	\$6,859	\$16,667	\$25,951	\$8.10
	2	1,463,355	\$48	\$1,060	\$3,134	\$7,615	\$11,857	\$8.10
	3	495,338	\$16	\$359	\$1,061	\$2,578	\$4,013	\$8.10
	4	116,404	\$4	\$84	\$249	\$606	\$943	\$8.10
	5	28,158	\$1	\$20	\$60	\$147	\$228	\$8.10
Total C-I		5,306,156	\$173	\$3,845	\$11,363	\$27,611	\$42,993	\$8.10
C-II	1	1,944,781	\$336	\$1,409	\$0	\$10,120	\$11,865	\$6.10
	2	758,767	\$131	\$550	\$0	\$3,948	\$4,629	\$6.10
	3	243,090	\$42	\$176	\$0	\$1,265	\$1,483	\$6.10
	4	45,357	\$8	\$33	\$0	\$236	\$277	\$6.10
	5	6,262	\$1	\$5	\$0	\$33	\$38	\$6.10
Total C-II		2,998,256	\$518	\$2,172	\$0	\$15,602	\$18,292	\$6.10
C-III	1	151,459	\$80	\$0	\$0	\$788	\$868	\$5.73
	2	47,532	\$25	\$0	\$0	\$247	\$272	\$5.73
	3	15,375	\$8	\$0	\$0	\$80	\$88	\$5.73
	4	1,612	\$1	\$0	\$0	\$8	\$9	\$5.73
	5	532	\$0	\$0	\$0	\$3	\$3	\$5.73
Total C-III		216,510	\$114	\$0	\$0	\$1,127	\$1,241	\$5.73

Table 13. Summary of Allocation of All Other Costs by New Fee Groups, TYBR (continued)								
New Fee Groups								
D-I	1	36,301	\$2	\$26	\$78	\$189	\$294	\$8.11
	2	22,069	\$1	\$16	\$47	\$115	\$179	\$8.11
	3	7,552	\$0	\$5	\$16	\$39	\$61	\$8.11
	4	1,096	\$0	\$1	\$2	\$6	\$9	\$8.11
	5	180	\$0	\$0	\$0	\$1	\$1	\$8.11
Total D-I		67,198	\$3	\$49	\$144	\$350	\$545	\$8.11
D-II	1	1,131,135	\$133	\$820	\$0	\$5,886	\$6,839	\$6.05
	2	493,926	\$58	\$358	\$0	\$2,570	\$2,986	\$6.05
	3	132,154	\$16	\$96	\$0	\$688	\$799	\$6.05
	4	15,190	\$2	\$11	\$0	\$79	\$92	\$6.05
	5	1,655	\$0	\$1	\$0	\$9	\$10	\$6.05
Total D-II		1,774,061	\$208	\$1,285	\$0	\$9,232	\$10,725	\$6.05
D-III	1	2,868,513	\$1,108	\$0	\$0	\$14,927	\$16,034	\$5.59
	2	1,060,532	\$410	\$0	\$0	\$5,519	\$5,928	\$5.59
	3	269,261	\$104	\$0	\$0	\$1,401	\$1,505	\$5.59
	4	16,184	\$6	\$0	\$0	\$84	\$90	\$5.59
	5	1,769	\$1	\$0	\$0	\$9	\$10	\$5.59
Total D-III		4,216,260	\$1,628	\$0	\$0	\$21,940	\$23,568	\$5.59
E	1	599,685	\$358	\$0	\$0	\$3,121	\$3,478	\$5.80
	2	231,140	\$138	\$0	\$0	\$1,203	\$1,341	\$5.80
	3	60,501	\$36	\$0	\$0	\$315	\$351	\$5.80
	4	6,078	\$4	\$0	\$0	\$32	\$35	\$5.80
	5	840	\$1	\$0	\$0	\$4	\$5	\$5.80
Total E		898,243	\$536	\$0	\$0	\$4,674	\$5,210	\$5.80
GRAND TOTAL		15,724,952	\$3,183	\$7,531	\$12,039	\$81,827	\$104,580	\$6.65

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2 There are two types of costs to be allocated. One type of cost is allocated by
3 CAG. The second type of cost, which cannot be allocated by CAG, is allocated
4 proportionately to the number of boxes in the same manner as performed by witness
5 Lion. See USPS-T-24 at 24.

6 Postmaster costs are allocated according to the distribution of postmasters by
7 CAG. Table 13A presents the allocation of postmaster costs.

Table 13A. Distribution of Postmaster Costs to Boxes				
New Fee Groups	Box Size	TYBR Boxes	Percent of Fee Group	Postmaster Costs (000)
		[a]	[b]	[c]
A	1	72,138	90.77%	\$0
	2	4,501	5.66%	\$0
	3	2,524	3.18%	\$0
	4	242	0.30%	\$0
	5	69	0.09%	\$0
Total A		79,474	100.00%	\$0
B	1	124,912	74.00%	\$2
	2	29,996	17.77%	\$0
	3	10,802	6.40%	\$0
	4	1,561	0.92%	\$0
	5	1,524	0.90%	\$0
Total B		168,795	100.00%	\$3
C-I	1	3,202,901	60.36%	\$105
	2	1,463,355	27.58%	\$48
	3	495,338	9.34%	\$16
	4	116,404	2.19%	\$4
	5	28,158	0.53%	\$1
Total C-I		5,306,156	100.00%	\$173
C-II	1	1,944,781	64.86%	\$336
	2	758,767	25.31%	\$131
	3	243,090	8.11%	\$42
	4	45,357	1.51%	\$8
	5	6,262	0.21%	\$1
Total C-II		2,998,256	100.00%	\$518
C-III	1	151,459	69.95%	\$80
	2	47,532	21.95%	\$25
	3	15,375	7.10%	\$8
	4	1,612	0.74%	\$1
	5	532	0.25%	\$0
Total C-III		216,510	100.00%	\$114
D-I	1	36,301	54.02%	\$2
	2	22,069	32.84%	\$1
	3	7,552	11.24%	\$0
	4	1,096	1.63%	\$0
	5	180	0.27%	\$0
Total D-I		67,198	100.00%	\$3

Table 13A. Distribution of Postmaster Costs to Boxes (continued)				
New Fee Groups				
D-II	1	1,131,135	63.76%	\$133
	2	493,926	27.84%	\$58
	3	132,154	7.45%	\$16
	4	15,190	0.86%	\$2
	5	1,655	0.09%	\$0
Total D-II		1,774,061	100.00%	\$208
D-III	1	2,868,513	68.03%	\$1,108
	2	1,060,532	25.15%	\$410
	3	269,261	6.39%	\$104
	4	16,184	0.38%	\$6
	5	1,769	0.04%	\$1
Total D-III		4,216,260	100.00%	\$1,628
E	1	599,685	66.76%	\$358
	2	231,140	25.73%	\$138
	3	60,501	6.74%	\$36
	4	6,078	0.68%	\$4
	5	840	0.09%	\$1
Total E		898,243	100.00%	\$536
GRAND TOTAL		15,724,952		\$3,183

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2 Table 13B begins the process of allocating postmaster costs by CAG.

3 Column [a] displays the number of offices by CAG in each fee group, and column [b]

4 computes the percent of offices by CAG in each fee group to the total number of

5 offices by CAG. For example, the data show 29 CAG A offices in Fee Group A,

6 which represents 2.55 percent (29/1,138) of the total number of offices in CAG A.

7 The percentages computed in column [b] are used to distribute the number of

8 employees in each CAG to the CAG levels in each fee group. Continuing the

9 example for postmasters, I estimate that there are two CAG A postmasters in Fee

1 Group A, as shown in column [c]. This represents 0.01 percent (2/26,403) of all
2 postmasters. The resulting percentages, displayed in column [d], of postmasters at
3 each CAG level are then used to distribute total postmaster costs of \$3,183,000 to
4 each CAG level in the fee groups. The amounts so distributed are totaled by fee
5 group and transferred to Table 13A, where the totals are allocated proportionately
6 by box size in each fee group.

Table 13B. Distribution of Postmasters Costs by CAG, and Index of Supervisors and Mailhandlers by CAG								
New Fee Groups	CAG	Number of Offices	Percent of Total CAG Level	Postmasters			Supervisors	Mailhandlers
		[a]	[b]	Number by CAG Level	Percent at CAG Level	Total Costs (000)	Index of Employment at CAG Level	Index of Employment at CAG Level
				[c]	[d]	[e]	[f]	[g]
A	CAG A	29	2.55%	2	0.01%	\$0	1	1
	Total	29		2		\$0	1	1
B	CAG A	56	4.92%	4	0.01%	\$0	1	1
	CAG B	42	6.13%	11	0.04%	\$1	1	1
	CAG C	9	0.73%	5	0.02%	\$1	1	1
	CAG D	2	0.30%	2	0.01%	\$0	1	1
	Total	109		21		\$3	1	1
C-I	CAG A	1,053	92.53%	68	0.26%	\$8	1	1
	CAG B	637	92.99%	163	0.62%	\$20	1	1
	CAG C	1,213	97.74%	661	2.50%	\$80	1	1
	CAG D	638	96.96%	545	2.06%	\$66	1	1
	Total	3,541		1,437		\$173	1	1
C-II	CAG E	1,228	91.23%	1,334	5.05%	\$161	1	0
	CAG F	1,264	79.25%	1,456	5.51%	\$176	1	0
	CAG G	1,238	50.82%	1,505	5.70%	\$181	1	0
	Total	3,730		4,295		\$518	1	0
C-III	CAG H	520	17.22%	620	2.35%	\$75	0	0
	CAG J	130	3.15%	148	0.56%	\$18	0	0
	CAG K	136	1.68%	151	0.57%	\$18	0	0
	CAG L	23	2.04%	28	0.11%	\$3	0	0
	Total	809		946		\$114	0	0

Table 13B. Distribution of Postmasters Costs by CAG, and Index of Supervisors and Mailhandlers by CAG (continued)								
New Fee Groups								
D-I	CAG A	0	0.00%	0	0.00%	\$0	1	1
	CAG B	5	0.73%	1	0.00%	\$0	1	1
	CAG C	14	1.13%	8	0.03%	\$1	1	1
	CAG D	17	2.58%	15	0.05%	\$2	1	1
	Total	36		23		\$3	1	1
D-II	CAG E	106	7.88%	115	0.44%	\$14	1	0
	CAG F	294	18.43%	339	1.28%	\$41	1	0
	CAG G	1,049	43.06%	1,276	4.83%	\$154	1	0
	Total	1,449		1,729		\$208	1	0
D-III	CAG H	2,186	72.38%	2,604	9.86%	\$314	0	0
	CAG J	3,284	79.59%	3,748	14.20%	\$452	0	0
	CAG K	5,759	70.98%	6,375	24.15%	\$769	0	0
	CAG L	640	56.89%	777	2.94%	\$94	0	0
	Total	11,869		13,505		\$1,628	0	0
E	CAG A	0	0.00%	0	0.00%	\$0	1	1
	CAG B	1	0.15%	0	0.00%	\$0	1	1
	CAG C	5	0.40%	3	0.01%	\$0	1	1
	CAG D	1	0.15%	1	0.00%	\$0	1	1
	CAG E	12	0.89%	13	0.05%	\$2	1	1
	CAG F	37	2.32%	43	0.16%	\$5	1	0
	CAG G	149	6.12%	181	0.69%	\$22	1	0
	CAG H	314	10.40%	374	1.42%	\$45	0	0
	CAG J	712	17.26%	813	3.08%	\$98	0	0
	CAG K	2,219	27.35%	2,456	9.30%	\$296	0	0
	CAG L	462	41.07%	561	2.12%	\$68	0	0
	Total	3,912		4,445		\$536	0	0
GRAND TOTAL		25,484		26,403		\$3,183		

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2 The allocation of supervisor and mailhandler costs by CAG is based on a
3 different method. Table 13C shows the allocation of supervisor and mailhandler
4 costs. In order to allocate such costs, however, I used an index to represent the
5 employment, or the absence thereof, of supervisors and mailhandlers at certain
6 CAG levels. This "Index of Employment," consisting of a "1" to indicate employment,

1 and a "0" to indicate no employment, is shown in Table 13B, columns [f] and [g].
2 Where a 1 is assigned to all CAG levels in a fee group, a 1 is also assigned to the
3 fee group. Similarly, where a 0 is assigned to all CAG levels in a fee group, a 0 is
4 also assigned to that fee group. The index number for each fee group is multiplied
5 by the TYBR number of boxes in each fee group to determine the number of
6 "supervisor" boxes and "mailhandler" boxes, as shown in columns [b] and [d] of
7 Table 13C. The percent of total "supervisor" boxes in column [c] is used to allocate
8 volume-variable supervisor costs of \$7,531,000. With respect to mailhandlers, I
9 determined volume-variable mailhandler costs to be \$12,039,000, or 16.83 percent,
10 of Cost Segment 3 volume-variable post office box costs of \$71,527,000.¹⁹ Volume-

¹⁹ See USPS LR-H-9 at 19-20. Total costs for Cost Segment 3 are \$16.456 billion, of which 16.83 percent (\$2.770/\$16.456) are mailhandler costs.

- 1 variable mailhandler costs are then allocated based upon the percent of total
- 2 "mailhandler" boxes shown in column [e].

Table 13C. Distribution of Supervisor and Mailhandler Costs to Boxes								
New Fee Groups	Box Size	TYBR Boxes	"Supervisor" Boxes	Percent	"Mailhandler" Boxes	Percent	Supervisor Costs (000)	Mailhandler Costs (000)
		[a]	[b]	[c]	[d]	[e]	[f]	[g]
A	1	72,138	72,138	0.69%	72,138	1.28%	\$52	\$154
	2	4,501	4,501	0.04%	4,501	0.08%	\$3	\$10
	3	2,524	2,524	0.02%	2,524	0.04%	\$2	\$5
	4	242	242	0.00%	242	0.00%	\$0	\$1
	5	69	69	0.00%	69	0.00%	\$0	\$0
Total A		79,474	79,474	0.76%	79,474	1.41%	\$58	\$170
B	1	124,912	124,912	1.20%	124,912	2.22%	\$91	\$268
	2	29,996	29,996	0.29%	29,996	0.53%	\$22	\$64
	3	10,802	10,802	0.10%	10,802	0.19%	\$8	\$23
	4	1,561	1,561	0.02%	1,561	0.03%	\$1	\$3
	5	1,524	1,524	0.01%	1,524	0.03%	\$1	\$3
Total B		168,795	168,795	1.62%	168,795	3.00%	\$122	\$361
C-I	1	3,202,901	3,202,901	30.82%	3,202,901	56.97%	\$2,321	\$6,859
	2	1,463,355	1,463,355	14.08%	1,463,355	26.03%	\$1,060	\$3,134
	3	495,338	495,338	4.77%	495,338	8.81%	\$359	\$1,061
	4	116,404	116,404	1.12%	116,404	2.07%	\$84	\$249
	5	28,158	28,158	0.27%	28,158	0.50%	\$20	\$60
Total C-I		5,306,156	5,306,156	51.05%	5,306,156	94.39%	\$3,845	\$11,363
C-II	1	1,944,781	1,944,781	18.71%	0	0.00%	\$1,409	\$0
	2	758,767	758,767	7.30%	0	0.00%	\$550	\$0
	3	243,090	243,090	2.34%	0	0.00%	\$176	\$0
	4	45,357	45,357	0.44%	0	0.00%	\$33	\$0
	5	6,262	6,262	0.06%	0	0.00%	\$5	\$0
Total C-II		2,998,256	2,998,256	28.85%	0	0.00%	\$2,172	\$0
C-III	1	151,459	0	0.00%	0	0.00%	\$0	\$0
	2	47,532	0	0.00%	0	0.00%	\$0	\$0
	3	15,375	0	0.00%	0	0.00%	\$0	\$0
	4	1,612	0	0.00%	0	0.00%	\$0	\$0
	5	532	0	0.00%	0	0.00%	\$0	\$0
Total C-III		216,510	0	0.00%	0	0.00%	\$0	\$0
D-I	1	36,301	36,301	0.35%	36,301	0.65%	\$26	\$78
	2	22,069	22,069	0.21%	22,069	0.39%	\$16	\$47
	3	7,552	7,552	0.07%	7,552	0.13%	\$5	\$16
	4	1,096	1,096	0.01%	1,096	0.02%	\$1	\$2
	5	180	180	0.00%	180	0.00%	\$0	\$0
Total D-I		67,198	67,198	0.65%	67,198	1.20%	\$49	\$144

Table 13C. Distribution of Supervisor and Mailhandler Costs to Boxes (continued)								
New Fee Groups								
D-II	1	1,131,135	1,131,135	10.88%	0	0.00%	\$820	\$0
	2	493,926	493,926	4.75%	0	0.00%	\$358	\$0
	3	132,154	132,154	1.27%	0	0.00%	\$96	\$0
	4	15,190	15,190	0.15%	0	0.00%	\$11	\$0
	5	1,655	1,655	0.02%	0	0.00%	\$1	\$0
Total D-II		1,774,061	1,774,061	17.07%	0	0.00%	\$1,285	\$0
D-III	1	2,868,513	0	0.00%	0	0.00%	\$0	\$0
	2	1,060,532	0	0.00%	0	0.00%	\$0	\$0
	3	269,261	0	0.00%	0	0.00%	\$0	\$0
	4	16,184	0	0.00%	0	0.00%	\$0	\$0
	5	1,769	0	0.00%	0	0.00%	\$0	\$0
Total D-III		4,216,260	0	0.00%	0	0.00%	\$0	\$0
E	1	599,685	0	0.00%	0	0.00%	\$0	\$0
	2	231,140	0	0.00%	0	0.00%	\$0	\$0
	3	60,501	0	0.00%	0	0.00%	\$0	\$0
	4	6,078	0	0.00%	0	0.00%	\$0	\$0
	5	840	0	0.00%	0	0.00%	\$0	\$0
Total E		898,243	0	0.00%	0	0.00%	\$0	\$0
GRAND TOTAL		15,724,952	10,393,939	100.00%	5,621,622	100.00%	\$7,531	\$12,039

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2 The remaining costs, referred to as "non-CAG costs," are allocated

3 proportionally to the total number of boxes, as shown in Table 13D. Non-CAG costs

4 include \$59,488,000 of clerk costs from Cost Segment 3. The allocation of non-

5 CAG costs is consistent with the methodology used by witness Lion for All Other

6 costs.

Table 13D. Distribution of Costs by Box Size				
New Fee Groups	Box Size	TYBR Boxes	Percent	Non-CAG Costs (000)
		[a]	[b]	[c]
A	1	72,138	0.46%	\$375
	2	4,501	0.03%	\$23
	3	2,524	0.02%	\$13
	4	242	0.00%	\$1
	5	69	0.00%	\$0
Total A		79,474	0.51%	\$414
B	1	124,912	0.79%	\$650
	2	29,996	0.19%	\$156
	3	10,802	0.07%	\$56
	4	1,561	0.01%	\$8
	5	1,524	0.01%	\$8
Total B		168,795	1.07%	\$878
C-I	1	3,202,901	20.37%	\$16,667
	2	1,463,355	9.31%	\$7,615
	3	495,338	3.15%	\$2,578
	4	116,404	0.74%	\$606
	5	28,158	0.18%	\$147
Total C-I		5,306,156	33.74%	\$27,611
C-II	1	1,944,781	12.37%	\$10,120
	2	758,767	4.83%	\$3,948
	3	243,090	1.55%	\$1,265
	4	45,357	0.29%	\$236
	5	6,262	0.04%	\$33
Total C-II		2,998,256	19.07%	\$15,602
C-III	1	151,459	0.96%	\$788
	2	47,532	0.30%	\$247
	3	15,375	0.10%	\$80
	4	1,612	0.01%	\$8
	5	532	0.00%	\$3
Total C-III		216,510	1.38%	\$1,127
D-I	1	36,301	0.23%	\$189
	2	22,069	0.14%	\$115
	3	7,552	0.05%	\$39
	4	1,096	0.01%	\$6
	5	180	0.00%	\$1
Total D-I		67,198	0.43%	\$350

Table 13D. Distribution of Costs by Box Size (continued)				
New Fee Groups				
D-II	1	1,131,135	7.19%	\$5,886
	2	493,926	3.14%	\$2,570
	3	132,154	0.84%	\$688
	4	15,190	0.10%	\$79
	5	1,655	0.01%	\$9
Total D-II		1,774,061	11.28%	\$9,232
D-III	1	2,868,513	18.24%	\$14,927
	2	1,060,532	6.74%	\$5,519
	3	269,261	1.71%	\$1,401
	4	16,184	0.10%	\$84
	5	1,769	0.01%	\$9
Total D-III		4,216,260	26.81%	\$21,940
E	1	599,685	3.81%	\$3,121
	2	231,140	1.47%	\$1,203
	3	60,501	0.38%	\$315
	4	6,078	0.04%	\$32
	5	840	0.01%	\$4
Total E		898,243	5.71%	\$4,674
GRAND TOTAL		15,724,952	100.00%	\$81,827

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Table 14 shows the development of the TYAR All Other costs by box size, and the TYAR unit box costs. I assumed a volume variability for All Other costs in the TYAR of 1.002067747. See Tr. 13/7338-39.

Table 14. Allocation of All Other Costs to Boxes in New Fee Groups, TYAR							
New Fee Groups							
Elasticity = 1.002067747							
New Fee Groups	Box Size	OCA TYBR Boxes	OCA TYAR Boxes	TYBR Total (000)	TYBR Cost per Box	TYAR Total All Other Costs	TYAR All Other Cost per Box
		[a]	[b]	[c]	[d]	[e]	[f]
A	1	72,138	50,960	\$582,342	\$8.07	\$411,028	\$8.07
	2	4,501	3,186	\$36,333	\$8.07	\$25,696	\$8.07
	3	2,524	1,892	\$20,376	\$8.07	\$15,267	\$8.07
	4	242	197	\$1,955	\$8.07	\$1,587	\$8.07
	5	69	57	\$555	\$8.07	\$464	\$8.07
Total A		79,474	56,293	\$641,561	\$8.07	\$454,042	\$8.07
B	1	124,912	96,390	\$1,009,877	\$8.08	\$778,810	\$8.08
	2	29,996	22,055	\$242,513	\$8.08	\$178,173	\$8.08
	3	10,802	8,410	\$87,330	\$8.08	\$67,953	\$8.08
	4	1,561	1,295	\$12,620	\$8.08	\$10,462	\$8.08
	5	1,524	1,285	\$12,321	\$8.08	\$10,383	\$8.08
Total B		168,795	129,434	\$1,364,661	\$8.08	\$1,045,781	\$8.08
C-I	1	3,202,901	2,534,252	\$25,951,183	\$8.10	\$20,522,318	\$8.10
	2	1,463,355	1,112,183	\$11,856,686	\$8.10	\$9,005,466	\$8.10
	3	495,338	391,986	\$4,013,425	\$8.10	\$3,174,294	\$8.10
	4	116,404	92,628	\$943,155	\$8.10	\$750,108	\$8.10
	5	28,158	22,399	\$228,146	\$8.10	\$181,391	\$8.10
Total C-I		5,306,156	4,153,447	\$42,992,595	\$8.10	\$33,633,577	\$8.10
C-II	1	1,944,781	1,792,531	\$11,864,885	\$6.10	\$10,934,106	\$6.10
	2	758,767	687,515	\$4,629,149	\$6.10	\$4,193,554	\$6.10
	3	243,090	223,768	\$1,483,063	\$6.10	\$1,364,937	\$6.10
	4	45,357	41,815	\$276,719	\$6.10	\$255,063	\$6.10
	5	6,262	5,779	\$38,201	\$6.10	\$35,248	\$6.10
Total C-II		2,998,256	2,751,407	\$18,292,018	\$6.10	\$16,782,908	\$6.10
C-III	1	151,459	151,459	\$867,950	\$5.73	\$867,950	\$5.73
	2	47,532	47,532	\$272,387	\$5.73	\$272,387	\$5.73
	3	15,375	15,375	\$88,106	\$5.73	\$88,106	\$5.73
	4	1,612	1,612	\$9,240	\$5.73	\$9,240	\$5.73
	5	532	532	\$3,048	\$5.73	\$3,048	\$5.73
Total C-III		216,510	216,510	\$1,240,731	\$5.73	\$1,240,731	\$5.73

Table 14. Allocation of All Other Costs to Boxes in New Fee Groups, TYAR (continued)							
New Fee Groups							
D-I	1	36,301	34,356	\$294,463	\$8.11	\$278,656	\$8.11
	2	22,069	20,542	\$179,018	\$8.11	\$166,610	\$8.11
	3	7,552	7,279	\$61,260	\$8.11	\$59,044	\$8.11
	4	1,096	1,070	\$8,893	\$8.11	\$8,676	\$8.11
	5	180	178	\$1,464	\$8.11	\$1,441	\$8.11
Total D-I		67,198	63,425	\$545,098	\$8.11	\$514,427	\$8.11
D-II	1	1,131,135	1,100,837	\$6,838,511	\$6.05	\$6,654,958	\$6.05
	2	493,926	476,845	\$2,986,132	\$6.05	\$2,882,648	\$6.05
	3	132,154	129,769	\$798,962	\$6.05	\$784,516	\$6.05
	4	15,190	15,001	\$91,836	\$6.05	\$90,692	\$6.05
	5	1,655	1,642	\$10,006	\$6.05	\$9,928	\$6.05
Total D-II		1,774,061	1,724,095	\$10,725,448	\$6.05	\$10,422,742	\$6.05
D-III	1	2,868,513	2,830,096	\$16,034,333	\$5.59	\$15,819,143	\$5.59
	2	1,060,532	1,042,194	\$5,928,133	\$5.59	\$5,825,414	\$5.59
	3	269,261	266,832	\$1,505,109	\$5.59	\$1,491,502	\$5.59
	4	16,184	16,087	\$90,466	\$5.59	\$89,923	\$5.59
	5	1,769	1,762	\$9,888	\$5.59	\$9,850	\$5.59
Total D-III		4,216,260	4,156,971	\$23,567,929	\$5.59	\$23,235,832	\$5.59
E	1	599,685	599,685	\$3,478,273	\$5.80	\$3,478,273	\$5.80
	2	231,140	231,140	\$1,340,649	\$5.80	\$1,340,649	\$5.80
	3	60,501	60,501	\$350,914	\$5.80	\$350,914	\$5.80
	4	6,078	6,078	\$35,252	\$5.80	\$35,252	\$5.80
	5	840	840	\$4,872	\$5.80	\$4,872	\$5.80
Total E		898,243	898,243	\$5,209,959	\$5.80	\$5,209,959	\$5.80
GRAND TOTAL		15,724,952	14,149,825	\$104,580,000	\$6.65	\$92,540,001	\$6.54

1

2 C. Space Support Costs Should Be Allocated Using The Same Methodology
3 Used By The Postal Service

4

5 I allocate Space Support costs on the basis of equivalent capacity. This is
6 the same allocation methodology as presented by witness Lion in USPS-T-24, and

- 1 in Docket No. MC96-3. Table 15 shows the allocation of Space Support costs and
- 2 the development of TYBR unit costs.

Table 15. Allocation of Space Support Costs to Boxes by New Fee Groups, TYBR							
New Fee Groups							
New Fee Groups	Box Size	TYBR Boxes	Capacity Factor	Equivalent Capacity	Percent of Equivalent Capacity	Total Costs (\$000)	Cost Per Box
		[a]	[b]	[c]	[d]	[e]	[f]
A	1	72,138	1	72,138	0.3321%	\$930	\$12.89
	2	4,501	1.5	6,751	0.0311%	\$87	\$19.33
	3	2,524	3	7,572	0.0349%	\$98	\$38.66
	4	242	6	1,453	0.0067%	\$19	\$77.32
	5	69	12	824	0.0038%	\$11	\$154.63
Total A		79,474	1.12	88,739	0.41%	\$1,143	\$14.39
B	1	124,912	1	124,912	0.5750%	\$1,610	\$12.89
	2	29,996	1.5	44,995	0.2071%	\$580	\$19.33
	3	10,802	3	32,405	0.1492%	\$418	\$38.66
	4	1,561	6	9,366	0.0431%	\$121	\$77.32
	5	1,524	12	18,288	0.0842%	\$236	\$154.63
Total B		168,795	1.36	229,965	1.06%	\$2,963	\$17.56
C-I	1	3,202,901	1	3,202,901	14.7439%	\$41,272	\$12.89
	2	1,463,355	1.5	2,195,032	10.1044%	\$28,285	\$19.33
	3	495,338	3	1,486,013	6.8406%	\$19,149	\$38.66
	4	116,404	6	698,426	3.2151%	\$9,000	\$77.32
	5	28,158	12	337,894	1.5554%	\$4,354	\$154.63
Total C-I		5,306,156	1.49	7,920,267	36.46%	\$102,060	\$19.23
C-II	1	1,944,781	1	1,944,781	8.9524%	\$25,060	\$12.89
	2	758,767	1.5	1,138,150	5.2392%	\$14,666	\$19.33
	3	243,090	3	729,269	3.3570%	\$9,397	\$38.66
	4	45,357	6	272,144	1.2528%	\$3,507	\$77.32
	5	6,262	12	75,139	0.3459%	\$968	\$154.63
Total C-II		2,998,256	1.39	4,159,483	19.15%	\$53,599	\$17.88
C-III	1	151,459	1	151,459	0.6972%	\$1,952	\$12.89
	2	47,532	1.5	71,298	0.3282%	\$919	\$19.33
	3	15,375	3	46,124	0.2123%	\$594	\$38.66
	4	1,612	6	9,674	0.0445%	\$125	\$77.32
	5	532	12	6,382	0.0294%	\$82	\$154.63
Total C-III		216,510	1.32	284,938	1.31%	\$3,672	\$16.96

Table 15. Allocation of Space Support Costs to Boxes by New Fee Groups, TYBR (continued)							
New Fee Groups							
D-I	1	36,301	1	36,301	0.1671%	\$468	\$12.89
	2	22,069	1.5	33,103	0.1524%	\$427	\$19.33
	3	7,552	3	22,656	0.1043%	\$292	\$38.66
	4	1,096	6	6,578	0.0303%	\$85	\$77.32
	5	180	12	2,165	0.0100%	\$28	\$154.63
Total D-I		67,198		100,803	0.46%	\$1,299	\$19.33
D-II	1	1,131,135	1	1,131,135	5.2070%	\$14,576	\$12.89
	2	493,926	1.5	740,889	3.4105%	\$9,547	\$19.33
	3	132,154	3	396,461	1.8250%	\$5,109	\$38.66
	4	15,190	6	91,142	0.4196%	\$1,174	\$77.32
	5	1,655	12	19,862	0.0914%	\$256	\$154.63
Total D-II		1,774,061		2,379,490	10.95%	\$30,662	\$17.28
D-III	1	2,868,513	1	2,868,513	13.2046%	\$36,963	\$12.89
	2	1,060,532	1.5	1,590,798	7.3229%	\$20,499	\$19.33
	3	269,261	3	807,784	3.7185%	\$10,409	\$38.66
	4	16,184	6	97,105	0.4470%	\$1,251	\$77.32
	5	1,769	12	21,228	0.0977%	\$274	\$154.63
Total D-III		4,216,260		5,385,429	24.79%	\$69,396	\$16.46
E	1	599,685	1	599,685	2.7605%	\$7,727	\$12.89
	2	231,140	1.5	346,709	1.5960%	\$4,468	\$19.33
	3	60,501	3	181,502	0.8355%	\$2,339	\$38.66
	4	6,078	6	36,467	0.1679%	\$470	\$77.32
	5	840	12	10,080	0.0464%	\$130	\$154.63
Total E		898,243	1.31	1,174,442	5.41%	\$15,134	\$16.85
GRAND TOTAL		15,724,952		21,723,555	100%	\$279,928	\$17.80

1

2 Table 16 summarizes the unit volume-variable box costs for the fee groups in
3 the test year before rates.

Table 16. Total Volume-Variable Costs Per Box by New Fee Groups, TYBR						
New Fee Groups						
New Fee Groups	Box Size	TYBR Boxes	Space Provision	Space Support	All Other	Cost Per Box
		[a]	[b]	[c]	[d]	[e]
A	1	72,138	\$31.45	\$12.89	\$8.07	\$52.41
	2	4,501	\$47.17	\$19.33	\$8.07	\$74.58
	3	2,524	\$94.35	\$38.66	\$8.07	\$141.08
	4	242	\$188.69	\$77.32	\$8.07	\$274.08
	5	69	\$377.39	\$154.63	\$8.07	\$540.09
Total A		79,474	\$35.12	\$14.39	\$8.07	\$57.58
B	1	124,912	\$22.42	\$12.89	\$8.08	\$43.39
	2	29,996	\$33.62	\$19.33	\$8.08	\$61.04
	3	10,802	\$67.25	\$38.66	\$8.08	\$113.99
	4	1,561	\$134.49	\$77.32	\$8.08	\$219.89
	5	1,524	\$268.99	\$154.63	\$8.08	\$431.70
Total B		168,795	\$30.54	\$17.56	\$8.08	\$56.18
C-I	1	3,202,901	\$12.14	\$12.89	\$8.10	\$33.13
	2	1,463,355	\$18.21	\$19.33	\$8.10	\$45.64
	3	495,338	\$36.42	\$38.66	\$8.10	\$83.18
	4	116,404	\$72.84	\$77.32	\$8.10	\$158.26
	5	28,158	\$145.68	\$154.63	\$8.10	\$308.42
Total C-I		5,306,156	\$18.12	\$19.23	\$8.10	\$45.46
C-II	1	1,944,781	\$9.21	\$12.89	\$6.10	\$28.20
	2	758,767	\$13.82	\$19.33	\$6.10	\$39.25
	3	243,090	\$27.63	\$38.66	\$6.10	\$72.39
	4	45,357	\$55.26	\$77.32	\$6.10	\$138.68
	5	6,262	\$110.53	\$154.63	\$6.10	\$271.26
Total C-II		2,998,256	\$12.78	\$17.88	\$6.10	\$36.76
C-III	1	151,459	\$6.65	\$12.89	\$5.73	\$25.26
	2	47,532	\$9.97	\$19.33	\$5.73	\$35.03
	3	15,375	\$19.94	\$38.66	\$5.73	\$64.33
	4	1,612	\$39.88	\$77.32	\$5.73	\$122.93
	5	532	\$79.76	\$154.63	\$5.73	\$240.13
Total C-III		216,510	\$8.75	\$16.96	\$5.73	\$31.44
D-I	1	36,301	\$9.68	\$12.89	\$8.11	\$30.68
	2	22,069	\$14.52	\$19.33	\$8.11	\$41.96
	3	7,552	\$29.04	\$38.66	\$8.11	\$75.81
	4	1,096	\$58.07	\$77.32	\$8.11	\$143.50
	5	180	\$116.14	\$154.63	\$8.11	\$278.89
Total D-I		67,198	\$14.52	\$19.33	\$8.11	\$41.96

Table 16. Total Volume-Variable Costs Per Box by New Fee Groups, TYBR (continued)						
New Fee Groups						
D-II	1	1,131,135	\$9.75	\$12.89	\$6.05	\$28.69
	2	493,926	\$14.63	\$19.33	\$6.05	\$40.01
	3	132,154	\$29.26	\$38.66	\$6.05	\$73.97
	4	15,190	\$58.53	\$77.32	\$6.05	\$141.89
	5	1,655	\$117.05	\$154.63	\$6.05	\$277.73
Total D-II		1,774,061	\$13.08	\$17.28	\$6.05	\$36.41
D-III	1	2,868,513	\$8.13	\$12.89	\$5.59	\$26.60
	2	1,060,532	\$12.19	\$19.33	\$5.59	\$37.11
	3	269,261	\$24.38	\$38.66	\$5.59	\$68.63
	4	16,184	\$48.76	\$77.32	\$5.59	\$131.66
	5	1,769	\$97.51	\$154.63	\$5.59	\$257.73
Total D-III		4,216,260	\$10.38	\$16.46	\$5.59	\$32.43
E	1	599,685	\$9.34	\$12.89	\$5.80	\$28.03
	2	231,140	\$14.01	\$19.33	\$5.80	\$39.14
	3	60,501	\$28.03	\$38.66	\$5.80	\$72.49
	4	6,078	\$56.06	\$77.32	\$5.80	\$139.18
	5	840	\$112.12	\$154.63	\$5.80	\$272.55
Total E		898,243	\$12.22	\$16.85	\$5.80	\$34.86
GRAND TOTAL		15,724,952	\$14.20	\$17.80	\$6.65	\$38.65

1 V. PROPOSED POST OFFICE BOX FEES SHOULD REFLECT THE HIGHER
2 COSTS OF PROVIDING BOX SERVICE IN LARGER VERSUS SMALLER POST
3 OFFICES, AND ENSURE A REASONABLE CONTRIBUTION TO INSTITUTIONAL
4 COSTS
5

6 Under my proposal, post office box fees would increase for Fee Groups A, B,
7 C-I, C-II, D-I, D-II and D-III. No fee increase is proposed for Fee Group C-III, or the
8 \$0 fee for Fee Group E boxholders. Proposed fee increases for boxholders in Fee
9 Group A range from 32 to 56 percent, and from 30 to 46 percent in Fee Group B.
10 Proposed fees for new Fee Groups C-I and C-II would increase by 40 percent and
11 15 to 16 percent, respectively. For new Fee Group D-I, fees increase by 100
12 percent. For new Fee Groups D-II and D-III, fees increase 50 to 51 percent and 25
13 percent, respectively.

14 I propose fee increases for caller service averaging 22 percent, and I propose
15 a 43 percent increase for reserve call numbers. Table 17 presents the current
16 annual fees, the fees proposed by the Postal Service, and my proposed fees. The
17 percentage change in fees is also presented.

Table 17. Post Office Box Fee Comparison						
New Fee Groups	Box Size	Current Box Fees	USPS Proposed Box Fees	OCA Proposed Box Fees	USPS Percent Change	OCA Percent Change
		[a]	[b]	[c]	[d]	[e]
A	1	\$48	\$70	\$75	46%	56%
	2	\$74	\$105	\$110	42%	49%
	3	\$128	\$185	\$190	45%	48%
	4	\$242	\$325	\$330	34%	36%
	5	\$418	\$550	\$550	32%	32%
Total A						
B	1	\$44	\$60	\$65	36%	48%
	2	\$66	\$90	\$95	36%	44%
	3	\$112	\$150	\$160	34%	43%
	4	\$218	\$290	\$290	33%	33%
	5	\$372	\$435	\$485	17%	30%
Total B						
C-I	1	\$40	\$45	\$56	13%	40%
	2	\$58	\$65	\$81	12%	40%
	3	\$104	\$115	\$146	11%	40%
	4	\$172	\$195	\$240	13%	40%
	5	\$288	\$325	\$402	13%	40%
Total C-I						
C-II	1	\$40	\$45	\$46	13%	15%
	2	\$58	\$65	\$67	12%	16%
	3	\$104	\$115	\$120	11%	15%
	4	\$172	\$195	\$198	13%	15%
	5	\$288	\$325	\$331	13%	15%
Total C-II						
C-III	1	\$40	\$45	\$40	13%	0%
	2	\$58	\$65	\$58	12%	0%
	3	\$104	\$115	\$104	11%	0%
	4	\$172	\$195	\$172	13%	0%
	5	\$288	\$325	\$288	13%	0%
Total C-III						
D-I	1	\$12	\$18	\$24	50%	100%
	2	\$20	\$30	\$40	50%	100%
	3	\$36	\$55	\$72	53%	100%
	4	\$53	\$80	\$106	51%	100%
	5	\$83	\$125	\$166	51%	100%
Total D-I						

Table 17. Post Office Box Fee Comparison (continued)						
D-II	1	\$12	\$18	\$18	50%	50%
	2	\$20	\$30	\$30	50%	50%
	3	\$36	\$55	\$54	53%	50%
	4	\$53	\$80	\$80	51%	51%
	5	\$83	\$125	\$125	51%	51%
Total D-II						
D-III	1	\$12	\$18	\$15	50%	25%
	2	\$20	\$30	\$25	50%	25%
	3	\$36	\$55	\$45	53%	25%
	4	\$53	\$80	\$66	51%	25%
	5	\$83	\$125	\$104	51%	25%
Total D-III						
E	1	\$0	\$0	\$0	0%	0%
	2	\$0	\$0	\$0	0%	0%
	3	\$0	\$0	\$0	0%	0%
	4	\$0	\$0	\$0	0%	0%
	5	\$0	\$0	\$0	0%	0%
Total E						

1

2 Collectively, these changes result in a cost coverage of 116 percent and net
3 revenues of \$94.3 million. The before rates and after rates revenues, costs and
4 cost coverage for my proposal are shown in Table 18.

Table 18. Summary of Revenues and Costs, Proposed New Fee Groups, TYBR and TYAR											
New Fee Groups											
New Fee Groups	Box Size	OCA TYBR Boxes	Current Fees	Proposed Box Fees	OCA TYAR Boxes	TYBR Revenues	TYAR Revenues	OCA TYBR Total Costs	OCA TYAR Total Costs	OCA TYAR TTL Rev - TTL Costs	OCA TYAR Cost Cover -age
A	1	72,138	\$48	\$75	50,960	\$3,462,625	\$3,822,014	\$3,780,583	\$3,609,269	\$212,745	1.06
	2	4,501	\$74	\$110	3,186	\$333,056	\$350,447	\$335,645	\$325,008	\$25,438	1.08
	3	2,524	\$128	\$190	1,892	\$323,090	\$359,568	\$356,100	\$350,991	\$8,578	1.02
	4	242	\$242	\$330	197	\$58,595	\$64,891	\$66,363	\$65,995	-\$1,105	0.98
	5	69	\$418	\$550	57	\$28,713	\$31,617	\$37,100	\$37,010	-\$5,393	0.85
Total A		79,474			56,293	\$4,206,080	\$4,628,536	\$4,575,792	\$4,388,273	\$240,264	1.05
B	1	124,912	\$44	\$65	96,390	\$5,496,107	\$6,265,339	\$5,419,447	\$5,188,379	\$1,076,960	1.21
	2	29,996	\$66	\$95	22,055	\$1,979,763	\$2,095,190	\$1,830,893	\$1,766,553	\$328,638	1.19
	3	10,802	\$112	\$160	8,410	\$1,209,804	\$1,345,605	\$1,231,292	\$1,211,915	\$133,690	1.11
	4	1,561	\$218	\$290	1,295	\$340,285	\$375,429	\$343,241	\$341,084	\$34,346	1.10
	5	1,524	\$372	\$485	1,285	\$566,923	\$623,133	\$657,910	\$655,973	-\$32,839	0.95
Total B		168,795			129,434	\$9,592,883	\$10,704,697	\$9,482,783	\$9,163,904	\$1,540,794	1.17
C-I	1	3,202,901	\$40	\$56	2,534,252	\$128,116,026	\$141,918,088	\$106,108,004	\$100,679,139	\$41,238,949	1.41
	2	1,463,355	\$58	\$81	1,112,183	\$84,874,580	\$90,086,804	\$66,790,269	\$63,939,049	\$26,147,755	1.41
	3	495,338	\$104	\$146	391,986	\$51,515,132	\$57,229,916	\$41,202,875	\$40,363,743	\$16,866,173	1.42
	4	116,404	\$172	\$240	92,628	\$20,021,558	\$22,230,648	\$18,422,200	\$18,229,153	\$4,001,495	1.22
	5	28,158	\$288	\$402	22,399	\$8,109,453	\$9,004,508	\$8,684,387	\$8,637,632	\$366,875	1.04
Total C-I		5,306,156			4,153,447	\$292,636,749	\$320,469,963	\$241,207,734	\$231,848,716	\$88,621,247	1.38
C-II	1	1,944,781	\$40	\$46	1,792,531	\$77,791,222	\$82,456,416	\$54,837,586	\$53,906,806	\$28,549,610	1.53
	2	758,767	\$58	\$67	687,515	\$44,008,463	\$46,063,521	\$29,778,194	\$29,342,599	\$16,720,922	1.57
	3	243,090	\$104	\$120	223,768	\$25,281,331	\$26,852,110	\$17,597,305	\$17,479,179	\$9,372,931	1.54
	4	45,357	\$172	\$198	41,815	\$7,801,448	\$8,279,348	\$6,290,119	\$6,268,463	\$2,010,885	1.32
	5	6,262	\$288	\$331	5,779	\$1,803,345	\$1,912,715	\$1,698,513	\$1,695,560	\$217,155	1.13
Total C-II		2,998,256			2,751,407	\$156,685,809	\$165,564,111	\$110,201,717	\$108,692,607	\$56,871,504	1.52
C-III	1	151,459	\$40	\$40	151,459	\$6,058,375	\$6,058,375	\$3,826,400	\$3,826,400	\$2,231,976	1.58
	2	47,532	\$58	\$58	47,532	\$2,756,864	\$2,756,864	\$1,665,052	\$1,665,052	\$1,091,813	1.66
	3	15,375	\$104	\$104	15,375	\$1,598,978	\$1,598,978	\$989,052	\$989,052	\$609,926	1.62
	4	1,612	\$172	\$172	1,612	\$277,319	\$277,319	\$198,200	\$198,200	\$79,119	1.40
	5	532	\$288	\$288	532	\$153,165	\$153,165	\$127,705	\$127,705	\$25,461	1.20
Total C-III		216,510			216,510	\$10,844,702	\$10,844,702	\$6,806,408	\$6,806,408	\$4,038,294	1.59
D-I	1	36,301	\$12	\$24	34,356	\$435,608	\$824,544	\$1,113,576	\$1,097,768	-\$273,224	0.75
	2	22,069	\$20	\$40	20,542	\$441,377	\$821,698	\$925,982	\$913,575	-\$91,877	0.90
	3	7,552	\$36	\$72	7,279	\$271,869	\$524,117	\$572,479	\$570,264	-\$46,147	0.92
	4	1,096	\$53	\$106	1,070	\$58,107	\$113,378	\$157,328	\$157,111	-\$43,733	0.72
	5	180	\$83	\$166	178	\$14,978	\$29,495	\$50,327	\$50,304	-\$20,809	0.59
Total D-I		67,198			63,425	\$1,221,940	\$2,313,232	\$2,819,693	\$2,789,022	-\$475,790	0.83

Table 18. Summary of Revenues and Costs, Proposed New Fee Groups, TYBR and TYAR (continued)											
New Fee Groups											
D-II	1	1,131,135	\$12	\$18	1,100,837	\$13,573,626	\$19,815,069	\$32,447,603	\$32,264,050	-\$12,448,981	0.61
	2	493,926	\$20	\$30	476,845	\$9,878,524	\$14,305,338	\$19,759,988	\$19,656,504	-\$5,351,166	0.73
	3	132,154	\$36	\$54	129,769	\$4,757,533	\$7,007,536	\$9,774,906	\$9,760,461	-\$2,752,925	0.72
	4	15,190	\$53	\$80	15,001	\$805,088	\$1,200,115	\$2,155,308	\$2,154,163	-\$954,049	0.56
	5	1,655	\$83	\$125	1,642	\$137,377	\$205,283	\$459,678	\$459,600	-\$254,317	0.45
Total D-II		1,774,061			1,724,095	\$29,152,148	\$42,533,342	\$64,597,483	\$64,294,778	-\$21,761,436	0.66
D-III	1	2,868,513	\$12	\$15	2,830,096	\$34,422,158	\$42,451,433	\$76,306,951	\$76,091,761	-\$33,640,328	0.56
	2	1,060,532	\$20	\$25	1,042,194	\$21,210,646	\$26,054,849	\$39,353,669	\$39,250,949	-\$13,196,101	0.66
	3	269,261	\$36	\$45	266,832	\$9,693,407	\$12,007,445	\$18,478,102	\$18,464,495	-\$6,457,050	0.65
	4	16,184	\$53	\$66	16,087	\$857,763	\$1,061,762	\$2,130,823	\$2,130,280	-\$1,068,518	0.50
	5	1,769	\$83	\$104	1,762	\$146,827	\$183,260	\$455,926	\$455,888	-\$272,627	0.40
Total D-III		4,216,260			4,156,971	\$66,330,801	\$81,758,749	\$136,725,470	\$136,393,373	-\$54,634,624	0.60
E	1	599,685	\$0	\$0	599,685	\$0	\$0	\$16,808,809	\$16,808,809	-\$16,808,809	0.00
	2	231,140	\$0	\$0	231,140	\$0	\$0	\$9,047,734	\$9,047,734	-\$9,047,734	0.00
	3	60,501	\$0	\$0	60,501	\$0	\$0	\$4,385,562	\$4,385,562	-\$4,385,562	0.00
	4	6,078	\$0	\$0	6,078	\$0	\$0	\$845,883	\$845,883	-\$845,883	0.00
	5	840	\$0	\$0	840	\$0	\$0	\$228,933	\$228,933	-\$228,933	0.00
Total E		898,243			898,243	\$0	\$0	\$31,316,921	\$31,316,921	-\$31,316,921	0.00
TOTAL		15,724,952			14,149,825	\$570,671,113	\$638,817,332	\$607,734,000	\$595,694,001	\$43,123,331	1.07
Caller Service		90,747	\$451	\$550	82,161	\$40,926,917	\$45,188,468			\$45,188,468	
Reserve Number		182,113	\$30	\$40	150,749	\$5,463,379	\$6,029,976			\$6,029,976	
GRAND TOTAL		15,997,812			14,382,735	\$617,061,409	\$690,035,776	\$607,734,000	\$595,694,001	\$94,341,775	1.16

1

- 2 Table 19 compares the revenues, costs and cost coverage for the Postal
- 3 Service's proposal and my proposal.

Table 19. Comparison of Postal Service and OCA Proposals, TYAR		
Post Office Box and Caller Service	USPS Proposal	OCA Proposal
Revenues	\$683,362,079	\$690,035,776
Costs	\$589,954,455	\$595,694,001
Net Revenues	\$93,407,624	\$94,341,775
Cost Coverage	116%	116%

4

1 A. Proposed Fees And The New Fee Groups Constitute A Transition To De-
2 Averaged Allocated Costs And Further Restructuring Of Fee Groups

3
4 The proposed fees for boxes in new Fee Groups C-I, C-II and C-III and D-I,
5 D-II and D-III constitute a transition to a uniform fee by box size for each CAG
6 grouping comprising the new fee groups. As stated previously, combining Fee
7 Groups C and D to create three fee groups out of CAG A-D, E-G and H-L offices
8 was tabled for the present. To propose a uniform fee for each box size for such
9 combined fee groups would cause large percentage increases for boxholders from
10 Fee Group D. For example, if a new fee group, comprised of boxes in CAG A-D
11 offices from Fee Groups C and D, were formed, a uniform fee of \$56 for all size 1
12 boxes would represent a 40 percent ($\$56/\$40-1$) increase for size 1 boxholders from
13 Fee Group C. However, a \$56 fee for a size 1 box from Fee Group D would
14 represent a 367 percent ($\$56/\$12-1$) increase. Because of my concern about "rate
15 shock" for Fee Group D boxholders, I decided to move toward merging Fee Groups
16 C and D in separate stages.

17 Consequently, I formed three new fee groups from Fee Group C and three
18 from Fee Group D. This permits differential fee increases for boxes by CAG within
19 Fee Groups C and D until such time as Fee Groups C and D are merged and
20 restructured by CAGs A-D, E-G and H-L. In so doing, the proposed fees result in

1 more gradual fee increases for boxholders in CAGs A-D, E-G and H-L from current
2 Fee Group D.

3 B. The Proposed Post Office Box Fees Satisfy The Pricing Criteria Of The
4 Postal Reorganization Act
5

6 The pricing criteria for postal rates and fees are enumerated in Section
7 3622(b), paragraphs 1 through 9, of the Postal Reorganization Act. In developing
8 the proposed fees for post office boxes, I considered the relevant pricing criteria.
9 The proposed fees reflect my judgment as to the application of those criteria.

10 Criterion number one refers to “the establishment and maintenance of a fair
11 and equitable schedule.” The proposed fees are fair and equitable. Proposed fees
12 for Fee Groups A and B are higher than those proposed by the Postal Service,
13 reflecting the higher allocation of All Other costs to boxes in the larger CAG offices
14 that comprise these fee groups.

15 For the other fee groups, current post office box fees are misaligned with
16 costs. Under current fees, boxholders who are similarly situated in terms of CAG
17 pay vastly different rates. That is, boxholders with size 1 boxes in CAG A-D offices
18 in Fee Group C pay much higher rates than size 1 boxholders in Fee Group D, i.e.,
19 \$40 and \$12, respectively. Nevertheless, unit box costs in the TYBR for size 1
20 boxes are much closer together, i.e., \$33.13 and \$30.68, respectively.

1 The proposed fees begin to reduce this inequity with higher fees for
2 boxholders in CAG A-D offices from Fee Group D, forming new Fee Group D-I.
3 These boxholders face a 100 percent increase. In comparison, boxholders in CAG
4 A-D offices from Fee Group C face a smaller increase of 40 percent. Similarly,
5 boxholders in CAGs E-G and H-L offices from Fee Group C, which form new Fee
6 Groups C-II and C-III, respectively, face smaller increases than boxholders in CAGs
7 E-G and H-L offices from Fee Group D, which form new Fee Groups D-II and D-III,
8 respectively. Fees for boxholders in new Fee Groups C-II and C-III would increase
9 by 15 to 16 percent and 0 percent, respectively, while fees in new Fee Groups D-II
10 and D-III would increase 50 to 51 percent and 25 percent, respectively. By contrast,
11 the Postal Service's proposed fees increase between 11 and 13 percent for all
12 boxholders in Fee Group C, and between 50 and 53 percent for all boxholders in
13 Fee Group D.

14 Moreover, the proposed fees permit a more gradual transition to a further
15 restructuring of the classification schedule. Higher box fees for new Fee Groups D-
16 I, D-II and D-III, and comparatively lower fees for new Fee Groups C-I, C-II and C-III
17 would, over time, ease the transition for boxholders into fee groups consisting of
18 CAG A-D, E-G and H-L offices from merged Fee Groups C and D in a future
19 proceeding.

20 The second criterion directs that consideration be given to "the value of the
21 mail service actually provided." Post office box service is an alternative form of

1 delivery service that is valued by some customers. Box features such as privacy,
2 security and the generally earlier availability of box mail vis-à-vis carrier delivery
3 service are valued features. The value of service to boxholders is explicitly
4 recognized in the elasticities adopted by the Commission in Docket No. MC96-3,
5 and utilized in developing my after rates volumes and revenues.

6 The third criterion -- recovery of attributable costs -- requires that revenues
7 for each mail class or service be at least equal to the attributable costs for that class
8 or service. My proposed fees for post office boxes alone results in an implicit cost
9 coverage of 107 percent.²⁰ Including caller service and reserve call numbers results
10 in combined net revenues of \$94.3 million, with a cost coverage of 116 percent
11 (without the 1 percent contingency). This cost coverage is identical to the Postal
12 Service's proposed cost coverage for post office boxes, caller service and reserve
13 call numbers, i.e., 116 percent (without the 1 percent contingency).

14 Criterion number four concerns "the effect of rate increases" on the general
15 public. Considerable attention was given to the effect of proposed fee increases on
16 boxholders. Combining Fee Groups C and D to form three new fee groups by CAG

²⁰ Under the Postal Service's proposal, witness Needham claims post office box revenues "make a small contribution with a 106 percent proposed implicit cost coverage." USPS-T-39 at 66.

1 was tabled at this time because of the significant percentage fee increases that
2 could attend a uniform fee by box size for certain boxholders now in Fee Group D.

3 In order to limit such percentage fee increases, three new fee groups were
4 created from Fee Group D, with proposed fee increases limited to 100 percent for
5 boxholders in CAG A-D offices in Fee Group D -- boxholders in the larger (CAG A-
6 D) offices that comprise the new Fee Group D-I. In all, fee increases of this
7 magnitude are limited to only 63,425 boxholders. Similarly, proposed fee increases
8 for boxholders in CAG E-G offices in Fee Group D, which comprise new Fee Group
9 D-II, are limited to 51 percent, nearly the same percentage fee increase as
10 proposed by the Postal Service. At the same time, fee increases for all boxholders
11 in the smallest offices (i.e., CAG H-L) in Fee Group D, which comprise new Fee
12 Group D-III, are limited to 25 percent.

13 Boxholders in new Fee Groups C-III and D-III experience the lowest
14 percentage fee increases, as compared to other boxholders from current Fee
15 Groups C and D, respectively, because of the lower allocated costs to boxes in the
16 smaller offices that comprise new Fee Groups C-III and D-III.

17 The fifth criterion directs consideration to the role of available alternatives at
18 reasonable cost. For boxholders subject to the proposed box fee increases, the
19 most feasible alternative is free carrier delivery service, if the proposed box fees are
20 considered too high or private sector alternatives prohibitive.

1 Criterion number seven refers to the “simplicity of [the] structure for the entire
2 schedule and simple, identifiable relationships between the rates or fees charged.”
3 For Fee Groups A, B and E, there is no change in the fee structure. However, the
4 proposed fee group structure is more complex than the current fee group structure
5 for Fee Groups C and D. Fee Groups C and D are proposed to be replaced by six
6 new fee groups, C-I, C-II and C-III, and D-I, D-II and D-III, as a transition to a further
7 restructuring of the fee schedule. Consequently, the proposed fee schedule
8 represents a balance between substantial fee increases for certain boxholders and
9 a temporarily more complex fee structure for the Postal Service to administer.

10 C. The Proposed New Fee Groups Accord With The Classification Criteria Of
11 The Postal Reorganization Act
12

13 The classification criteria for changes in mail and special service
14 classifications are found in Section 3623(c), paragraphs 1 through 6, of the Postal
15 Reorganization Act. I have considered the relevant classification criteria in relation
16 to my development of the proposed new fee groups. Establishment of the new fee
17 groups reflect my judgment as to the application of those criteria.

18 Classification criterion one refers to the “establishment and maintenance of a
19 fair and equitable classification system for all mail.” The proposed new fee groups
20 are fair and equitable in that they maintain the basic distinction in the existing fee
21 group structure, i.e., that between boxholders eligible for carrier delivery service and

1 those not eligible for carrier delivery, with boxholders eligible for delivery paying box
2 fees, and those not eligible paying no box fees. Establishing three new fee groups
3 by CAG from Fee Group C that parallel three new fee groups from Fee Group D
4 begins the process of eliminating the dichotomy between Fee Groups C and D,
5 where boxholders pay differing fees depending upon their eligibility for city or "rural"
6 delivery, respectively, and explicitly recognizes the similarities between these
7 groups in terms of box service, the availability of carrier delivery service, and costs.

8 Classification criterion five concerns "the desirability of special classifications
9 from the point of view of both the user and the Postal Service." From the point of
10 view of boxholders, the new fee groups better reflect the costs of providing box
11 service in post offices of comparable size. From the point of view of the Postal
12 Service, the fact that boxholders in Fee Groups C and D are eligible for delivery
13 services provided by either city or rural carriers would, in the future, no longer lead
14 to significantly different post office box fees.

1 VI. CONCLUSION

2 Current post office box fees and the existing fee groups do not adequately
3 recognize the higher costs of providing box service in larger offices nor the lower
4 costs in smaller offices. The existing fee group structure and the Postal Service's
5 methodology for allocating certain post office box costs results in unfairly high costs
6 for boxholders in smaller offices and inappropriately low costs to boxholders in
7 larger offices. As a result, current fees, and the Postal Service's proposed fees,
8 produce fees that are too high in smaller CAG offices and too low in larger CAG
9 offices.

10 The restructured post office box fee groups and the new cost allocation
11 methodology proposed herein provide a more reasonable cost-basis for setting fees.
12 Restructuring Fee Groups C and D based upon CAG produces more rent-
13 homogeneous fee groups that better reflect cost in larger and smaller offices.
14 Similarly, my new cost allocation methodology, that distributes a portion of volume-
15 variable post office box costs by CAG, better reflects costs in larger and smaller
16 offices.

17 The proposed post office box fees satisfy the relevant statutory pricing and
18 classification criteria. My proposed box fees, combined with caller service and
19 reserve call number fees, provide virtually the same net revenues as proposed by
20 the Postal Service, and a reasonable contribution to institutional costs. The

- 1 proposed classification changes establish a more fair and equitable classification for
- 2 post office boxes by creating a more rational structure of fee groups based upon
- 3 CAGs.